ANNUAL REPORT 2020

CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

NH | HOTEL GROUP

PART OF MINOR HOTELS

NH Anantara New York Palace
Budapest, Hungary

NH Anantara Palazzo Naiadi
Rome, Italy

ANNUAL REPORT 2020

CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Consolidated Financial Statements for 2020 drawn up in accordance with the International Financial Reporting Standards adopted by the European Union.

Translation of Consolidated Financial Statements and Consolidated Management Report originally issued in Spanish and prepared in accordance with the International Financial Reporting Standards adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

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Free translation of the independent auditor´s report on the consolidated annual accounts originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Audit report on the consolidated annual accounts issued by an independent auditor

To the shareholders of NH Hotel Group, S.A.

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of NH Hotel Group, S.A. (the parent company) and subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2020, the consolidated comprehensive profit and loss statement, the consolidated statement of changes in shareholders equity, the consolidated cash flow statement and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the Group's consolidated equity and financial position at 31 December 2020 and the consolidated results of its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

Our audit has been carried out in accordance with prevailing Spanish auditing regulations. Our responsibilities under said regulations are described below under *Auditors' responsibilities in relation to the audit of the consolidated annual accounts*.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, applicable to our audit of the consolidated annual accounts in Spain, as required by auditing regulations. In this respect, we have not provided any services other than audit services, nor have any situations or circumstances arisen that, in accordance with those regulations, might have undermined said independence.

We consider that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in the audit of the consolidated annual accounts for the current period. These matters have been addressed in the context of our audit of the consolidated annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª.
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Key audit matters	How the matters were addressed in the audit
Recoverability of assets associated with the hotel business	
The Group carries out its business through 361 hotel establishments. All the assets associated with the hotel activity include goodwill, right of use assets, property, plant and equipment and other intangible assets whose carrying amounts at 31 December 2020 total to EUR 101 million (note 9), EUR 1,694 million (note 8), EUR 1.616 million (note 7) and EUR 128 million (note 10), respectively, representing 82% of total assets. The Group assesses its assets for signs of a decline in value each year and in any event, with respect to the recoverability of goodwill, in order to determine whether there are any impairment losses entailing the write-down of the carrying amounts of the assets, calculated as described in notes 4.2 and 4.4 to the consolidated annual accounts. As a general rule, Group management estimates the recoverable amount of each cash-generating unit (CGU) on the basis of value in use, calculated using cash flows estimated by applying discount rates and expected growth rates, in accordance with the business plans approved by management. As recognised in the consolidated statement of comprehensive income, the Group has recorded an impairment under net profit/(losses) from asset impairment for an amount of EUR 76.3 million (note 11.3). In view of the significance of the judgements made by the Group and the significant estimates made to perform the said calculations, considering the quantitative relevance of such assets and taking into account the existing Covid-19 health crisis and its impacts, we consider the assessment of the recoverability of the assets associated with the hotel business to be a key audit matter (notes 1 and 2.7).	Our audit procedures included, among others: Understanding of the methodology employed and evaluation of the controls in place in the Group's asset recovery analysis processes. Obtainment from management of the impairment tests carried out, to which we applied the following substantive procedures, assisted by our internal experts: • Verification of the reasonableness of the procedures and methods used to perform the impairment tests. • Assessment of the reasonableness of the key assumptions and estimates included in the model in relation both to future cash flow forecasts and the key aspects included in the estimation of the cash flows, such as the method applied by management to estimate the discount rates within an acceptable range. • Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses, including the ranges within which the key model assumptions should fluctuate in order to give rise to the impairment of assets or the reversal of existing provisions. • Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts. The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Key audit matters	How the matters were addressed in the audit
Recoverability of deferred tax assets	
As recognised in the accompanying consolidated statement of financial position, at 31 December 2020 deferred tax assets amount to EUR 273 million, of which, EUR 132 million relates to available tax credits, according to note 19 to the accompanying consolidated annual accounts. When assessing whether the amount recognised in the consolidated annual accounts for these assets is recoverable, Group management takes into account, as mentioned in notes 4.11 and 19, forecast future tax profits, using the method defined to analyse the recovery of its assets, based on the assessment of the estimates of the results of each entity or tax group in accordance with the Group's strategic direction. In view of the significance of the judgements made by the Group and the significant estimates made to perform the said calculations, considering the quantitative relevance of such assets and taking into account the existing Covid-19 health crisis and its impacts, we consider the assessment of the recoverability of deferred tax assets to be a key audit matter (notes 1 and 2.7).	Our audit procedures included, among others: Understanding of the methodology employed and evaluation of the controls in place in the Group's deferred tax asset recovery analysis processes. Obtainment of the deferred tax asset recovery plans, to which we applied the following substantive procedures: • Analysis of the plans for the recovery of such assets, and obtainment of evidence of the reasonableness of results and projections for future years budgeted and included in recoverability plans. • Involvement of our internal experts in the analysis of the reasonableness of the application of tax assumptions based on applicable legislation. • Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts. The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Other information: Consolidated management report

Other information refers exclusively to the consolidated management report for 2020, the preparation of which is the responsibility of the parent company's directors, and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the consolidated management report, in accordance with prevailing audit legislation, consists of:

a) Solely verifying that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, referred to in the Audit Act, have been provided in the manner established in applicable legislation and, if not, disclosing this fact.

b) Assessing and reporting on the consistency of the other information included in the consolidated management report with the consolidated annual accounts, based on our knowledge of the Group obtained during the audit of the accounts, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated management report are consistent with applicable legislation. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) is provided in the manner stipulated in applicable legislation and the other information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2020 and its content and presentation comply with applicable legislation.

Responsibility of the directors and the Audit and Control Committee in relation to the consolidated annual accounts

The directors of the parent company are responsible for the preparation of the accompanying consolidated annual accounts such that they present fairly the Group's consolidated equity, financial situation and results in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for the internal control which they consider necessary to enable the preparation of annual accounts free from material misstatements, due to fraud or error

In the preparation of the consolidated annual accounts, the parent company's directors are responsible for assessing the Group's capacity to continue as a going concern, disclosing, as appropriate, any going concern-related issues and applying the going-concern accounting principle, unless the directors intend to wind up the Group or discontinue its operations, or unless no other realistic alternative exists.

The parent company's Audit and Control Committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditors' responsibilities in relation to the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report containing our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with auditing standards prevailing in Spain will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated annual accounts.

As part of an audit in accordance with current legislation governing the audit practice in Spain, we exercise our professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated annual accounts whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- We conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and assess whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient and adequate evidence in relation to the financial information of the companies or the business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for managing, overseeing and performing the audit of the Group.

We communicate with the parent company's audit and control committee in relation to, among other matters, the planned scope and timing of the audit and the significant audit findings, as well as any major internal control weakness that we identify in the course of our audit.

We also provide the parent company's audit and control committee with a statement to the effect that we have complied with applicable ethical requirements, including those of independence, and we have notified the audit and control committee of any issues that could reasonably pose a threat to our independence and, if appropriate, the relevant safeguards.

Among the matters notified to the parent company's audit and control committee, we determine those that have been of the greatest significance in the audit of the consolidated annual accounts for the current period and which therefore are key audit matters.

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files in the European Single Electronic Format (ESEF) of NH Hotel Group, S.A. and subsidiaries for 2020, consisting of an XHTML file, which includes the consolidated annual accounts for the year and the XBRL files with the entity's labels, that will form part of the annual financial report.

The directors of NH Hotel Group S.A. are responsible for presenting the annual financial report for 2020 in accordance with the format and markup requirements contained in EU Delegated Regulation 2019/815 of 17 December 2018 of the European Commission (hereinafter ESEF). In this regard, the Annual Corporate Governance Report has been included as a reference in the consolidated management report.

Our responsibility consists of examining the digital files prepared by the parent company's directors, in accordance with prevailing audit legislation in Spain. Such legislation requires that we plan and carry out our audit procedures in order to verify that the content of the consolidated annual accounts included in such files fully agrees with the consolidated annual accounts that we have audited and their format agrees, in all material respects, with ESEF requirements.

In our opinion, the digital files examined fully agree with the audited consolidated annual accounts and these are presented and marked up, in all material respects, in accordance with ESEF requirements.

Additional report for the parent company's audit and control committee

The opinion expressed in this report is consistent with the content of our additional report for the parent company's audit and control committee dated 24 February 2021.

Term of engagement

We were appointed as the Group's auditors by the Annual General Meeting held on 13 May 2019 for a three-year period commencing as from the year ended 31 December 2019.

Services provided

Non-audit services provided to the Group are detailed in note 26.4 to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mariano Cortés Redín (21829)

24 February 2021

CONSOLIDATED BALANCE SHEETS

At 31 December 2020 and 31 December 2019 (Thousand euros)

ASSETS

	Note	31.12.2020	31.12.2019
NON-CURRENT ASSETS:			
Property, plant and equipment	7 and 11	1,615,924	1,713,123
Right-of-use assets	8 and 11	1,693,820	1,701,499
Investment Property		2,950	2,964
Goodwill	9	101,069	106,577
Other intangible assets	10	128,137	83,807
Deferred tax assets	19	273,013	220,040
Investments accounted for using the equity method	12	41,773	7,517
Financial assets at fair value with change in profit/loss	13.1	1,985	2,075
Other financial assets at amortised cost	13.2	35,664	35,327
Total non-current assets		**3,894,335**	**3,872,929**

	Note	31.12.2020	31.12.2019
CURRENT ASSETS:			
Inventories		7,957	11,123
Other current assets		5,383	5,771
Trade receivables	14	29,937	106,496
Other non-trade debtors		19,952	26,967
Tax receivables	19	50,547	28,961
Accounts receivable from related entities	27	955	2,493
Cash and cash equivalents	15	320,851	289,345
Assets classified as held for sale	16	-	47,811
Total current assets		**435,582**	**518,967**
TOTAL ACTIVO		**4,329,917**	**4,391,896**

NET ASSETS AND LIABILITIES

	Note	31.12.2020	31.12.2019
EQUITY:			
Share capital	17	784,361	784,361
Reserves of the parent company	17.1	933,173	777,089
Reserves of fully consolidated companies		(349,898)	(278,348)
Reserves of companies consolidated using the equity method		(18,176)	(18,198)
Conversion differences		(162,932)	(134,967)
Treasury shares and shareholdings	17.4	(367)	(1,647)
Consolidated Profit/(Loss) for the period		(437,159)	89,964
Equity attributable to the shareholders of the Parent Company		**749,002**	**1,218,254**
Non-controlling interests	17.5	49,582	57,239
Total equity		**798,584**	**1,275,493**

	Note	31.12.2020	31.12.2019
NON-CURRENT LIABILITIES:			
Debt instruments and other marketable securities	18	349,062	345,652
Bank borrowings	18	623,011	106,695
Leasing liabilities	8	1,809,120	1,814,399
Deferred tax liabilities	19	171,519	180,082
Other financial liabilities		904	1,160
Other non-current liabilities	20	10,601	7,637
Provisions for contingencies and charges	21	47,255	48,241
Total non-current liabilities		**3,011,472**	**2,503,866**

	Note	31.12.2020	31.12.2019
CURRENT LIABILITIES:			
Trade and other payables	22	188,493	257,499
Accounts payable from related entities	27	613	1,050
Tax payables	19	22,589	40,875
Bank borrowings	18	25,927	3,111
Leasing liabilities		250,619	252,970
Debt instruments and other marketable securities	18	143	141
Other financial liabilities		105	251
Other current liabilities	23	25,095	49,035
Provisions for contingencies and charges	21	6,277	5,021
Liabilities classified as held for sale	16	—	2,584
Total current liabilities		**519,861**	**612,537**

NET ASSETS AND LIABILITIES		**4,329,917**	**4,391,896**

Notes 1 to 32 set forth in the Consolidated Annual Report and Annexes I/III are an integral part of the Consolidated Balance Sheet at 31 December 2020.
The Consolidated Balance Sheet at 31 December 2019 is presented solely for the purposes of comparison.

CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENTS

For the years 2020 and 2019 (Thousand euros)

	Note	2020	2019
Revenues	26.1	536,150	1,708,078
Other operating income	26.1	7,852	9,352
Net gains on disposal of non-current assets	7, 8, 10 and 26.1	(475)	(709)
Procurements		(25,378)	(76,765)
Staff costs	26.3	(268,174)	(448,762)
Amortisation of use rights	8	(186,310)	(181,079)
Amortisation of tangible fixed assets and intangible assets	7 and 10	(116,167)	(116,001)
Net Profits/(Losses) from asset impairment	7, 8, 9, 10 and 11	(76,258)	4,889
Other operating expenses	26.4	(249,481)	(624,175)
Gains on financial assets and liabilities and other	13.1	(222)	8,529
Profit (loss) from companies accounted for using the equity method	12	(7,468)	22
Financial income	26.2	1,716	4,204
Change in fair value of financial instruments		323	306
Financial expenses on leases	26.5	(94,106)	(89,620)
Other financial expenses	26.5	(41,439)	(45,852)
Results from exposure to hyperinflation (NIC 29)	26.6	796	(85)
Net exchange differences (Income/(Expense))		(3,774)	(2,341)
Impairment on financial investments	12, 16 and 27	6,926	(18,572)
PROFIT/(LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		**(515,489)**	**131,419**
Corporation tax	19	75,154	(38,568)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES		**(440,335)**	**92,851**
Profit (loss) for the year from discontinued operations net of tax	16	(66)	50
PROFIT/(LOSS) FOR THE PERIOD		**(440,401)**	**92,901**
Conversion differences		(21,799)	3,536
Income and expenses recognised directly in equity		**(21,799)**	**3,536**
TOTAL COMPREHENSIVE PROFIT/(LOSS)		**(462,200)**	**96,437**
Profit / (Loss) for the year attributable to:			
Parent Company Shareholders		(437,159)	89,964
Non-controlling interests		(3,242)	2,937
Comprehensive Profit / (Loss) attributable to:			
Parent Company Shareholders		(456,829)	92,245
Non-controlling interests	17	(5,371)	4,192
PROFIT PER SHARE IN EUROS (BASIC)	**5**	**(1,115)**	**0,230**

Notes 1 to 32 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated comprehensive profit and loss statement for 2020.
The Consolidated Comprehensive Profit and Loss Statement for 2019 is presented solely for the purposes of comparison.

CONSOLIDATED STATEMENT OF CHANGES IN IN SHAREHOLDERS' EQUITY

For 2020 and 2019 (Thousand euros)

	Share Capital	Reserves of the parent company			Reserves in Companies Consolidated using		Currency translation differences	Treasury shares and sharehol-dings	Results attributable to Parent Company	Total	Non-controlling Interests	Total Equity
		Share Premium	Legal reserves	Other reserves	Full conso-lidation	The equity method						
Balances at 31 December 2018	**784,361**	**756,990**	**58,834**	**(134,756)**	**(44,723)**	**(23,436)**	**(60,854)**	**(2,530)**	**117,785**	**1,451,671**	**52,351**	**1,504,022**
NIC 29 Accounting reclassification (Note 2.5)	-	-	-	-	93,923	-	(93,923)	-	-	-	-	-
Accounting correction (Note 2.3 y 2.5)	-	-	-	-	-	-	16,212	-	(16,212)	-	-	-
Restated balances at 31 December 2018	**784,361**	**756,990**	**58,834**	**(134,756)**	**49,200**	**(23,436)**	**(138,565)**	**(2,530)**	**101,573**	**1,451,671**	**52,351**	**1,504,022**
Application of new accounting policy (IFRS 16) (Note 2.2)	-	-	-	(3,443)	(251,262)	-	-	-	-	(254,705)	(1,098)	(255,803)
Other adjustments	-	-	-	(1,041)	(16,591)	5,737	166	-	-	(11,729)	3,761	(7,968)
Initial balance adjusted 01 January 2019	**784,361**	**756,990**	**58,834**	**(139,240)**	**(218,653)**	**(17,699)**	**(138,399)**	**(2,530)**	**101,573**	**1,185,237**	**55,014**	**1,240,251**
Net profit (loss) for 2019	-	-	-	-	-	-	-	-	89,964	89,964	2,937	92,901
Conversion differences	-	-	-	-	-	-	2,281	-	-	2,281	1,255	3,536
Recognised income and expenses for the period	**-**	**-**	**-**	**-**	**-**	**-**	**2,281**	**-**	**89,964**	**92,245**	**4,192**	**96,437**
Distribution of Profit (Loss) 2018-												
- To Reserves	-	-	16,019	144,173	(58,120)	(499)	-	-	(101,573)	-	-	-
- To Dividends	-	-	-	(58,771)	-	-	-	-	-	(58,771)	-	(58,771)
Remuneration Scheme in shares	-	-	-	(998)	-	-	-	970	-	(28)	-	(28)
Adjustment application of IAS 29	-	-	-	-	-	-	1,151	-	-	1,151	777	1,928
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	(2,720)	(2,720)
Other movements	-	-	-	82	(1,575)	-	-	(87)	-	(1,580)	(24)	(1,604)
Balance at 31 December 2019	**784,361**	**756,990**	**74,853**	**(54,754)**	**(278,348)**	**(18,198)**	**(134,967)**	**(1,647)**	**89,964**	**1,218,254**	**57,239**	**1,275,493**
Initial balance adjusted at 1 January 2020	**784,361**	**756,990**	**74,853**	**(54,754)**	**(278,348)**	**(18,198)**	**(134,967)**	**(1,647)**	**89,964**	**1,218,254**	**57,239**	**1,275,493**
Net profit (loss) for 2020	-	-	-	-	-	-	-	-	(437,159)	(437,159)	(3,242)	(440,401)
Exchange differences	-	-	-	-	-	-	(19,670)	-	-	(19,670)	(2,129)	(21,799)
Recognised income and expenses for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(19,670)**	**-**	**(437,159)**	**(456,829)**	**(5,371)**	**(462,200)**
Distribution of Profit (Loss) 2019-												
- To reserves (Note 3)	-	-	15,894	143,046	(68,998)	22	-	-	(89,964)	-	-	-
Remuneration Scheme in shares (Note 25)	-	-	-	(2,724)	-	-	-	1,525	-	(1,199)	-	(1,199)
Adjustment application of IAS 29	-	-	-	-	-	-	(8,295)	-	-	(8,295)	(1,383)	(9,678)
Distribution of dividends (Note 17.5)	-	-	-	-	-	-	-	-	-	-	(1,179)	(1,179)
Other movements	-	-	-	(132)	(2,552)	-	-	(245)	-	(2,929)	276	(2,653)
Balance at 31 December 2020	**784,361**	**756,990**	**90,747**	**85,436**	**(349,898)**	**(18,176)**	**(162,932)**	**(367)**	**(437,159)**	**749,002**	**49,582**	**798,584**

Notes 1 to 32 described in the consolidated Record and Appendices I/II form an integral part of the statement of changes in consolidated assets for the year 2020.
The statement of changes in consolidated assets for the year 2019 is presented for comparison.

CONSOLIDATED CASH FLOW STATEMENTS

Produced in the periods 2020 and 2019 (Thousand euros)

	Note	31.12.2020	31.12.2019
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax and discontinued operations:		**(515,489)**	**131,419**
Adjustments:			
Amortisation of use rights (+)	8	186,310	181,079
Impairment to tangible and intangible fixed assets (+)	7 and 10	116,167	116,001
(Profits)/Losses for impairment (net) (+/-)	7, 8, 9 and 10	76,258	(4,889)
Gains/Losses on the sale of tangible and intangible assets (+/-)	7, 8, 10 and 26.1	475	709
Gains/Losses on investments valued using the equity method (+/-)	12	7,468	(22)
Financial income (-)	26.2	(1,716)	(4,204)
Change in fair value of financial instruments		(323)	(306)
Financial expenses (+)	26.5	135,545	135,472
Results from exposure to hyperinflation (NIC 29)	26.6	(796)	85
Net exchange differences (Income/(Expense))		3,774	2,341
Profit (loss) on disposal of financial investments		222	(8,529)
Impairment on financial investments (+/-)	12	(6,926)	18,572
Other non-monetary items (+/-)		(47,047)	5,841
Adjusted profit (loss)		**(46,078)**	**573,569**
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		3,410	(144)
(Increase)/Decrease in trade debtors and other accounts receivable		70,024	(405)
(Increase)/Decrease in other current assets		(28,015)	(764)
Increase/(Decrease) in trade payables		(68,586)	5,466
Increase/(Decrease) in other current liabilities		(30,875)	(4,745)
Increase/(Decrease) in provisions for contingencies and expenses		(2,579)	(12,923)
(Increase)/Decrease in non-current assets		254	1,312
Increase/(Decrease) in non-current liabilities		518	(146)
Income tax paid		7,834	(55,959)
Total net cash flow from operating activities (I)		**(94,093)**	**505,261**
2. INVESTMENT ACTIVITIES			
Other interest/dividends received		**155**	**716**
Investments (-):			
Group companies, joint ventures and associates	6	(64,057)	(1,297)
Tangible and intangible assets and investments in property	7 and 10	(105,464)	(190,813)
		(169,521)	**(192,110)**
Disinvestment (+):			
Group companies, joint ventures and associates	2.9.5 and 12	26,918	1,903
Tangible and intangible assets and investments in property		4,798	23,532
		31,716	**25,435**
Total net cash flow from investment activities (II)		**(137,650)**	**(165,959)**
3. FINANCING ACTIVITIES			
Dividends paid out (-)		(1,176)	(60,580)
Interest paid on debts (-)		(34,250)	(38,726)
Interest paid by means of payment		(6,459)	(19,304)
Interest paid by financing and other		(27,791)	(19,422)
Variations in (+/-):			
Equity instruments:			
- Treasury shares	17.4	(298)	-
Debt instruments:			
- Loans from credit institutions (+)		821,700	36,544
- Loans from credit institutions (-)	18	(278,900)	(3,974)
- Principal elements on payment for leasing (-)	8	(244,785)	(252,296)
- Other financial liabilities (+/-)		(79)	(755)
Total net cash flow from financing activities (III)		**262,212**	**(319,787)**
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		30,469	19,515
5. Effect of exchange rate variations on cash and cash equivalents (IV)		(1,726)	2
6. Effect of variations in the scope of consolidation (V)	6 and 2.9.5	2,763	3,959
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		31,506	23,476
8. Cash and cash equivalents at the start of the financial year		**289,345**	**265,869**
9. Cash and cash equivalents at the end of the year		**320,851**	**289,345**

Notes 1 to 32 set forth in the Consolidated Annual Report and Annexes I /II form an integral part of the Consolidated Cash Flow Statement for 2020.
The consolidated cash flow statement for 2019 is presented for the purposes of comparison.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

NH Hotel Group, S.A. and Subsidiaries Report on the Consolidated Financial Statements for 2020

1.- ACTIVITY AND COMPOSITION OF THE PARENT COMPANY

NH HOTEL GROUP, S.A. (hereinafter the Parent Company) was incorporated as a public limited company in Spain on 23 December 1981 under the trade name "Material para Ferrocarriles y Construcciones, S.A.", which was subsequently changed to "Material y Construcciones, S.A." (MACOSA) and later to "Corporación Arco, S.A."

In 1992, Corporación Arco, S.A. took over Corporación Financiera Reunida, S.A. (COFIR), while at the same time adopting the trade name of the company taken over and amending its corporate purpose to the new activity of the Parent Company, which focused on the management of its shareholding portfolio.

During 1998, Corporación Financiera Reunida, S.A. (COFIR) merged with Grupo Catalán, S.L. and its subsidiaries and Gestión NH, S.A. through the absorption of these companies by the former. Subsequently, Corporación Financiera Reunida, S.A. (COFIR) took over NH Hoteles, S.A., adopted its trade name and broadened its corporate purpose to allow for the direct performance of hotel activities, activities in which it had already been engaged indirectly through its subsidiaries.

Information on these mergers can be found in the financial statements of the years in which said transactions took place.

The General Shareholders' Meeting of 21 June 2014 agreed to change the company's name from "NH Hoteles, S.A." to "NH Hotel Group, S.A."

The Parent Company heads up a group of subsidiary companies which, together with NH Hotel Group, S,A., make up the NH Hotel Group (hereinafter, the "Group" - see Appendices I and II) which is dedicated to running hotels, on its own, either owning or leasing the hotels, or via third parties, with management, offering a wide range of functions from its corporate head office and regional offices.

On 11 June 2018, MHG Continental Holding (Singapore) Pte Ltd made a public offer to acquire 100% of the shares making up NH Hotel Group, S.A.'s company capital, the result of which was that Minor International Public Company Limited ("MINT") acquired shares representing 94.13% of the share capital of NH Hotel Group, S.A., via its wholly owned subsidiary, MHG Continental Holding (Singapore) Pte. Ltd.

At the end of the financial year, the Group was operating hotels in 29 countries, with 361 hotels and 55,371 rooms, of which around 72% are located in Spain, Germany, Italy and the Benelux countries.

NH Hotel Group, S.A. has its registered address at Calle Santa Engracia, 120 - 7th floor, Madrid, Spain. Furthermore, the name of the Parent Company did not change in this financial year or in the previous one.

Main changes in 2020 (COVID-19)

On March 11, 2020, the World Health Organization raised to the status of global pandemic the public health emergency caused by SARS-CoV-2 virus (commonly known as coronavirus, while COVID-19 denotes the disease caused by the virus). The rapid spread of COVID-19, on an international scale, has triggered an unprecedented healthcare, social and economic crisis that continues to evolve

Since the beginning of the COVID-19 pandemic during March in Europe and Latin America, the hotel demand has drastically decreased due to lockdowns, travel restriction and social distance, which severely affected mobility.

During blockade, isolation and intense lockdown months, from march to ending of May, circa 95% of our hotels were closed and those which stayed open was for charitable purposes. As a result, second quarter was the most affected with an extremely low demand level. The gradual opening of hotels was initiated ending of May and it was done progressively based on demand recovery and focusing on optimise value for money. During June circa 60% of the portfolio was open, a 70% in July and circa 80% during ending of August and September.

The smooth reopening of the hotels since June, after the portfolio was closed in March due to the intense lockdown, enabled the attraction of national customers during the third quarter. The reopening, in spite of the low level of demand due to mobility restrictions, was possible because of the flexible cost structure.

In 2020 NH Hotel Group put "Feel Safe at NH" into place in all its hotels. This is a new plan, with measures approved by experts, to face up to the health crisis caused by the SARS-CoV-2 coronavirus. The Company has reviewed all its procedures and made nearly 700 adaptations to its operating standards to preserve the health and safety of travellers and employees worldwide. Grouped into 10 main lines of action and backed by specialists in different fields, the measures implemented cover the digitisation of hotel services, adapting sanitation processes, including social distancing regulations in operations and the application of personal protective equipment, among others. We also reached a collaboration agreement with SGS, the world leader in inspection, analysis and certification, which allows us to follow up on the measurement and diagnostics protocol established to verify that the Group's hotels are clean and safe environments

As a result of the impact of the second wave of infections in Europe at end of the third quarter, apart from delaying additional reopenings that had been planned for the last months of 2020, hotels were closed once again and, at the end of December 2020, around 60% of the portfolio was open. The impact of the second wave and the stricter restrictions on mobility during the last months of the year resulted in a lower level of business when compared to the third quarter.

In spite of the low level of demand, its flexible operational and financial structure has enabled the Group to overcome the major challenges in 2020. Although the challenges will continue in the first months of 2021, the Group will benefit in the first stage of recovery from brand recognition, excellent locations and strong market positioning, once recovery is spearheaded in Europe.

Contingency Plan

As a result of the exceptional circumstances occurred after the beginning of the pandemic (Covid-19), the Group implemented a relevant contingency plan to adapt operations and guarantee business sustainability with the aim at minimizing costs during the closure of the portfolio, preserving Group's liquidity to attend to operational necessities and ensuring that the gradual reactivation of the hotel activity is carried out efficiently and under the premise of maximum guarantees in terms of health and safety.

Due to lack of visibility on the business recovery speed following measures on cost control were implemented and will continue being implemented to ensure operational cost minimizing and liquidity preservation:

- Personnel (Note 26.3): The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons.
- Other operational expenses (Note 26.4): negotiation with suppliers to reduce costs, search for alternative supplies and achieve improvements on payment terms. Additionally, actions were undertaken as: personnel travel suspension, significant reduction of marketing and advertisement expenses despite the necessity of income incentives.
- Leases (Nota 8): temporary reduction of fixed rents through renegotiation with landlords.
- Investments: Main part of the investments were cancelled or postponed except for those in a very advanced stage.
- Liquidity reinforcement:
  - Withdraw of the dividend proposal against 2019 results of 0,15 euros per share which could have resulted an estimated payment of 59 million euros (Note 3).
  - 275 million euros on credit lines drawn on March (Note 18).
  - The Group entered into a syndicated loan for 250 million euros over 3 years, with no repayments until maturity, endorsed by the "Instituto de Crédito Oficial" (ICO), in Spain (Note 18).
  - In October 2020, the Group agreed the extension of the maturity of the syndicated credit facility to March 2023, which original maturity was September 2021, with a limit of 236 million euros (Note 18).
  - Moreover, and additional to the waiver obtained in June 2020 for compliance with the financial covenants included in the syndicated credit line for the months of June and December 2020, unanimous approval from the loan institutions was obtained to extend the waiver until June 2021. This waiver until June 2021 also extends to the syndicated loan (Note 18).

For more information about contingency plan see "Covid-19 impact and the measures implemented " section of the consolidated management report ended on 31 December, 2020.

The consolidated annual accounts include the impacts derived from the situation described above with special relevance in the impairment analysis carried out by the group in the year and the resulting losses recorded (Note 11), the activation of tax credits based on the recovery of the themselves (Note 19), and the description and analysis carried out by the administrators and their conclusion regarding the continuity of the business and the corresponding formulation of the accounts as a going concern (Note 2.8).

The consolidated annual accounts must be read considering said evaluation and breakdown.

2.- BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION PRINCIPLES

2.1. Basis of presentation of the Consolidated Financial Statements

The consolidated annual accounts were prepared using the accounting records of NH Hotel Group, S.A. and the consolidated entities. The consolidated annual accounts for the 2020 financial year were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), other provisions within the financial reporting standards framework which are applicable and with the requirements for format and framework provided for in the Delegated Regulation EU 2018/815 of the European Commission, Regulation (CE) No. 1606/2002 of the European Parliament and by Law 62/2003, of 30 December on tax, administrative and social measures, as well as the applicable rules and circulars of the National Securities Market Commission and the other Spanish accounting regulations that may be applicable, with the purpose of showing a true image of NH Hotel Group, S.A. and its subsidiaries' consolidated equity and consolidated financial position at 31 December 2020, and the consolidated financial performance, consolidated cash flows and consolidated changes in equity for the financial year ended on that date.

The Group adopted the IFRS-EU on 1 January 2004 and, on that date, applied IFRS 1 "First-time adoption of International Financial Reporting Standards".

The Directors of the Parent company consider that the consolidated annual accounts for the 2020 financial year, which were drawn up on 24 February 2021, will be approved by the General Shareholders Meeting without amendment. The consolidated financial statements for 2019 were approved by the shareholders at the Annual General Meeting held on 16 July 2020 and filed with the Companies Registry of Madrid.

Since the accounting standards and valuation criteria applied in the preparation of the Group's consolidated financial statements may differ from those used by some of its component companies, the necessary adjustments and reclassifications have been made to standardise them and adapt them to the IFRS adopted by the European Union.

2.2. Standards and interpretations effective in this period

During the year, new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements, but which did not give rise to a change in the Group's accounting policies:

A) New obligatory regulations, amendments and interpretations for the year commencing 01 January 2020:

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Approved for use in the European Union		
New Standards:		
Amendment to IFRS 3 - Definition of business (published in October 2018)	Clarifications to the definition of business.	01 January 2020
Amendments and/or interpretations		
Amendments to IAS 1 and IAS 8 Definition of "materiality" (published in October 2018).	Amendments to IAS 1 and IAS 8 to align the definition of "materiality" to the content of the conceptual framework.	01 January 2020
Amendments to IFRS 9, IFRS 7 and IAS 39 Current reform of the benchmark interest rate (published in September 2019).	Modifications that provide certain exemptions related to hedge accounting with respect to the reform of the benchmark interest rate (IBOR).	
Amendments to IFRS 16 Leases Rent concessions (published in May 2020).	Amendment to help lessees accounting for Covid-19-related rent concessions	01 June 2019
Amendments to references to the IFRS conceptual Framework	A revised conceptual framework was published, applicable to entities that use the conceptual framework to determine their accounting policies.	01 January 2020

These regulations and amendments have been applied to these consolidated financial statements with no significant impacts on either the reported figures or the presentation and breakdown of the information, except for the application of the amendment to IFRS 16. See breakdown of impacts in the following section.

B) Transition and amendment IFRS 16.

On 1 January 2019, the Group began to apply IFRS 16 to all contracts that were identified as leases in accordance with IAS 17 and IFRIC 4, except for the exceptions recognised by the standard.

The Group decided to apply the modified retrospective method as the transition method to IFRS 16, calculating the asset at the commencement date of each identified contract and the liability at the transition date, using for the calculation of both the incremental interest rate at the transition date and recognising the difference between the two items as an adjustment to the opening balance of the consolidated reserves.

The impact of IFRS 16 on the Group's financial statements is significant due to the lease contract portfolio.

This impact at 1 January 2019 was mainly greater right-of-use net assets for 1.747 billion euros, a greater liability for operating leases of 2.099 billion euros (1.839 billion euros of non-current liabilities and 260 million euros of current liabilities), lower early payments assets of 3 million euros, lower lease linearisation assets of 16 million euros (13 million euros in non-current assets, 3 million euros in current assets), lower lease linearisation liabilities of 19 million euros (17 million euros in other non-current liabilities, 2 million euros in other current liabilities), greater deferred tax assets of 88 million euros and lower equity of 256 million euros. It also entailed the reclassification of certain balance sheet items that were associated with lease contracts under the Right-of-use assets heading. Specifically, a liability for risk provisions and expenses on onerous contracts of 7 million euros, a liability for grants of 22 million euros and net intangible assets of 22 million euros.

The calculation of these impacts has been performed as if IFRS 16 had been applied from the inception of each contract or from the date of initial consolidation of the lessee of the contract. The calculation was made by discounting the lease flows by recalculating the asset and liability for each material modification to the lease and using an incremental interest rate calculated for each of the contracts at the transition date without taking into account the tax effect.

On the other hand, an amendment to IFRS 16 was approved by the IASB on 28 May 2020 to help accounting for changes in leases resulting from the pandemic caused by Covid-19. The amendment establishes an exemption in which rental concessions caused by Covid-19 may not be recorded as amendments to the lease. This practical solution is applicable if certain conditions are fulfilled:

- The change in payments for leases give rise to the revision of the consideration for the lease, which is substantially the same as, or less than, the consideration for the lease immediately prior to the change;
- any reduction in payments for leases only affects the payments originally due on, or before, 30 June 2021 (for example, a rent reduction would comply with this condition if it gives rise to a reduction in payments for leases on, or before, 30 June 2021, and an increase in payments for leases extending beyond 30 June 2021); and
- there is no substantial change in the other terms and conditions of the lease.

Therefore, the standard provides that the Group can, if the above requirements are met, choose to account for the contractual changes, not by recalculation of the rent but instead account for it as a change that is not considered to be an amendment by IFRS 16.

The Group has chosen to use the practical solution, by which rental concessions that comply with that set out above have generated less expenditure on rent of 46,195 thousand euros (Note 26.4).

C) New regulations, amendments and interpretations which will be mandatory in the years following the year commencing 01 January 2020

The following standards and interpretations had been published by the IASB on the date the consolidated financial statements were drawn up but had not yet entered into force, either because the date of their entry into force was subsequent to the date of these consolidated financial statements or because they had not yet been adopted by the European Union:

New regulations, amendments and interpretations		**Obligatory application in the years beginning on or after:**
Awaiting approval for use in the European Union as of the date of publication of this document [(1)]		
New Standards:		
IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	1 January 2023
Amendment to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associates or joint ventures	These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-monetary assets sold or contributed to an associate or joint venture constitute a “business”. The investor will recognise the full gain or loss when the non-monetary assets constitute a “business”. If the assets do not meet said definition, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB made the decision to postpone the effective date (without setting a new specific date) as it is planning a broader review that could result in simplifying the accounting of these transactions and other aspects of the accounting of associates and joint ventures.	Pending approval

**(1) The approval status of the standards can be consulted on the EFRAG website.*

Amendments and/or interpretations		
Amendment to IAS 1: Classification of Liabilities as Current or Non-current. (published in October 2020)	Classification of Liabilities as Current or Non-current.	01 January 2023
Amendment to IFRS 3: "Reference to the Conceptual Framework"	IFRS 3 has been updated to refer to the 2018 Conceptual Framework to determine what constitutes an asset or liability in a business combination (previously referred to the 2001 CF). A new exception has also been added in IFRS 3 for liabilities and contingent liabilities.	01 January 2022
Amendments to IFRS 9, IFRS 4, IFRS 16, IFRS 7 and IAS 39 Reform of the benchmark interest rate. Phase 2	Amendments to IFRS 9, IFRS 4, IFRS 16, IFRS 7 and IAS 39 relating to reform of the benchmark interest rate (Phase 2).	01 January 2021
Amendment to IFRS 4	Deferment of application of IFRS 9 until 2023	01 January 2023
Amendment to IAS 16 Income obtained prior to the intended use	The amendment prohibits deduction of any income obtained from the sale of the articles produced from the cost of a tangible fixed asset while the entity is preparing the asset for its intended use.	01 January 2022
Amendment to IAS 37 Onerous contracts - costs of performing a contract	The amendment explains that the direct cost of performing a contract includes the incremental costs of performing that contract and an allotment of other costs that are directly related to performance of the contract.	01 January 2022
Improvements to IFRS 2018-2020 Cycle (published in December 2017)	Amendments that affect IFRS 1, IFRS 9 and IFRS 16	01 January 2022

2.3. Accounting correction

During the first quarter of 2019, a situation was detected in the Consolidated Annual Accounts at 31 December 2018 in relation to the accounting for hyperinflation in the Argentine subsidiaries of the Parent Company in accordance with IAS 29.

This situation corresponded to the recording of a higher consolidated result in 2018 derived from hyperinflation in Argentine subsidiaries, when a net amount of 19 million euros before minority interests should have been recorded directly in reserves. This therefore supposes a reclassification between the result and equity without there being any additional impact to consider.

Following a report from the Audit and Control Committee, the Board of Directors considered that the situation revealed did not represent a very significant impact on the Consolidated Annual Accounts at 31 December 2018 in the context of Article 38 of the Commercial Code as it did not affect the financial or equity position of the Company, and did not justify, therefore, the consolidated annual accounts be restated.

Based on the foregoing, the aforementioned reclassification was recorded in equity at 31 December 2018, which resulted in higher consolidated reserves of 16,212 thousand euros and a lower consolidated result for the same amount. On the other hand, the effect of the reclassification on minority interests was 3,177 thousand euros as higher reserves and the same amount as lower gain/(loss) and supposed a zero effect on this heading of the abridged consolidated statement of changes in net equity.

2.4. Accounting criteria change

In 2020 there were no significant changes in accounting criteria.

2.5. Comparison of information

As required by IAS 1, the information on 2019 contained in this consolidated annual report is presented for solely comparative purposes with the information on 2020 and consequently does not in itself constitute the Group's consolidated financial statements for 2019.

In March 2020, the IFRS Interpretations Committee decided on the presentation of the effects on restatement for hyperinflation and the translation into "Other Comprehensive Income" on a net basis where the entity considers that the combination of the two effects meet the definition of exchange rate differences in IAS 21. If this is not the case, the effect of hyperinflation (IAS 29) in equity and the effect of conversion differences (IAS 21) in "Other Comprehensive Income" will be recognised separately. It is not allowable to present both variables net in equity (an aspect that until now was accepted by the CNMV and ESMA). Following this approval, the Group has reclassified the net effect of the restatement due to hyperinflation and the translation into "Other Comprehensive Income", this reclassification has resulted in greater equity and a greater conversion differences value of 77,711 thousand euros at 31 December 2018 and 1,151 thousand euros in 2019. This restatement has had no impact on the Group's Equity.

2.6. Foreign currency transactions and balances

2.6.1 Working currency and presentation currency

The consolidated annual accounts are presented in thousands of euros, rounded to the nearest thousand, which is the Parent company's working and presentation currency.

2.6.2 Foreign currency transactions, balances and cash flows

Transactions in foreign currencies are converted to the working currency using the exchange rates for the working currency and the foreign currency on the dates on which the transactions are carried out.

Cash assets and liabilities in foreign currencies have been converted into euros using the rate at the end of the financial year, while non-cash valued at historic cost are converted using the exchange rates applicable on the date the transaction took place. The conversion to euros of non-cash assets which are valued at fair value has been carried out using the exchange rate on the date when they were quantified.

In the presentation of the consolidated cash flow statements, the flows from transactions in foreign currencies were converted to euros using the exchange rates on the date they occurred. The effect of exchange rate change on cash and other cash equivalents in foreign currency is presented separately in the cash flow statement as "The effect of exchange rate differences on cash".

The differences appearing in settling transactions in foreign currency and the conversion of foreign currency cash assets and liabilities to euros is recognised in profit and loss. Nevertheless, exchange rate differences occurring in cash entries forming a part of the net business investment abroad are recorded as conversion differences in other global profit and loss.

Losses or gains from exchange rate differences relating to foreign currency cash financial assets or liabilities are also recognised in profit and loss.

2.6.3 Conversion of business abroad

The following criteria have been different applied for converting into euros the different items of the consolidated balance sheet and the consolidated comprehensive profit and loss statement of foreign companies included within the scope of consolidation:

- Assets and liabilities have been converted by applying the effective exchange rate prevailing at year-end.
- Equity has been converted by applying the historical exchange rate. The historical exchange rate existing at 31 December 2003 of any companies included within the scope of consolidation prior to the transitional date has been considered as the historical exchange rate.
- The consolidated comprehensive profit and loss statement was translated at the average exchange rate for the year, except for the companies in Argentina whose economy was declared hyperinflationary and therefore, in accordance with IAS 29, their consolidated comprehensive profit and loss statement was translated at the year-end exchange rate.

Any difference resulting from the application these criteria have been included in the "Translation differences" item under the "Equity" heading.

Any adjustments arising from the application of IFRS at the time of acquisition of a foreign company with regard to market value and goodwill are considered as assets and liabilities of such company and are therefore converted using the exchange rate prevailing at year-end.

2.6.4 Foreign operations in hyper-inflationary economies

In 2018, Argentina was declared a hyperinflationary economy due, among other causes, to the fact that the accumulated inflation rate of its economy exceeded 100% over a continuous period of three years.

As a result, the Group began to apply IAS 29 to the financial statements of Argentine companies with retroactive effect from 1 January 2018. Applying the standard involves the following exceptions:

- Adjusting the historical cost of non-monetary assets and liabilities and the different equity items from the acquisition date or inclusion on the consolidated balance sheet until year-end to reflect the changes in currency's purchasing power resulting from the inflation.
- Reflecting the loss or gain corresponding to the impact of inflation for the year on the net monetary position in the profit and loss account.
- Adjusting the various items of the profit and loss account and the cash flow statement for the inflationary index since its generation, with a counterpart in financial results and in a reconciliation item on the cash flow statement, respectively.
- Converting all components of the financial statements of Argentine companies at the closing exchange rate; the exchange rate at 31 December 2020 was 102.88 pesos per euro (67.2 pesos per euro at 31 December 2019).

2.7. Responsibility for the information, estimates made and sources of uncertainty

The Directors of the Parent Company are responsible for the information contained in these consolidated financial statements.

Estimates made by the management of the Group and of the consolidated entities have been used in preparing the Group's consolidated financial statements to quantify some of the assets, liabilities, revenue, expenses and undertakings recognised.

These estimates essentially refer to:

- The assessment of possible impairment losses on certain assets.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce;
- The useful life of the tangible and intangible assets.
- The valuation of consolidation goodwill.
- The market value of specific assets.
- Calculation of provisions and evaluation of contingencies.
- The recoverability of capitalised tax credits.

Given the uncertainty in the economic environment caused by Covid-19, the Group has analysed the estimates made to date where there was an indication of impairment and modified those it deemed relevant.

In spite of the fact that these estimates were carried out using the best information available at 31 December 2020 on events analysed, it is possible that events may take place in the future which compel their amendment (upwards or downwards) in years to come. This will be done in accordance with the provisions of IAS 8, prospectively.

2.8. Going concern

As a result of applying the new accounting standard IFRS 16, the Group has recognised a short-term liability corresponding to the current value of the lease payment commitments to be made in the next twelve months that, at 31 December 2020, amounted to 250,619 thousand euros (252,970 thousand euros at December 2019) meaning that, at 31 December 2020, current liabilities are 84,279 thousand euros higher than current assets (93,570 thousand euros at December 2019). Given that this effect is caused by a purely accounting (non-financial) approach, this does not prevent the business's normal development.

As a consequence of the situation caused by Covid-19, government measures taken worldwide to mitigate the spread of the pandemic have had a significant impact on the Group. These measures resulted in the temporary closure of establishments in the majority of its locations for a period of time, as well as significant falls in the business's operations and the uncertainties associated with how the situation evolves. These consolidated annual accounts have been prepared in accordance with the going concern principle as the Group has implemented crisis management organisational measures to ensure business continuity, both individually (management of contagion or isolation situations), and collectively.

These measures include actions focused on the temporary downsizing of existing resources as well as renegotiating lease contracts and other actions focused on minimising the impacts of the situation.

Likewise, to strengthen the Group's liquidity, various medium- and long-term financing operations have been signed. Amongst these, a syndicated loan of 250,000 thousand euros in April 2020 over 3 years with a partial guarantee from the Official Credit Institution (ICO) and the renegotiation of the syndicated credit line for 236,000 thousand euros in October 2020, whose maturity was extended until March 2023, stand out. Refinances of the finance lines were also signed, which were previously short-term, extending their maturities to terms between 3 and 5 years, also within the framework of ICO guarantees. Various bilateral loans were also formalised in different countries, the majority of which are also partially guaranteed by the State. Moreover, negotiations were carried out with the loan institutions for the syndicated credit line of 236,000 thousand euros and the syndicated loan of 250,000 thousand euros for the temporary waiver of measuring financial ratios (covenants), ensuring, in this way, the availability of both instruments (Note 18).

Therefore, assuming a gradual reactivation of the business and scientific progress in relation to Covid-19 that facilitates a gradual return to normality during 2021 and subsequent years, the Group considers it has sufficient resources to meet future obligations in the next 12 months.

2.9. Consolidation principles applied

2.9.1 Subsidiaries (Appendix I)

Subsidiaries are considered as any company included within the scope of consolidation in which the Parent Company directly or indirectly controls their management due to holding the majority of voting rights in the governance and decision-making body, with the ability to exercise control. This ability is shown when the Parent Company has the power to direct an investee entity's financial and operating policy in order to obtain profits from its activities. Subsidiaries are consolidated from the date control is transferred to the group and they cease to be consolidated from the date on which control ceases.

The purchase method of accounting is used by the group to account for business combinations.

The financial statements of subsidiaries are consolidated with those of the Parent Company by applying the full consolidation method. Consequently, all significant balances and effects of any transactions taking place between them have been eliminated in the consolidation process. If necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those used by the Group.

Non-controlling interests on the subsidiaries' profit and loss and equity are shown separately on the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and on the consolidated balance sheet, respectively.

The profit or loss of any subsidiaries acquired or disposed of during the financial year are included in the consolidated comprehensive profit and loss statement from the effective date of acquisition or until to the effective date of disposal, as appropriate.

2.9.2 Business combinations

The Group applied the exception contemplated in IFRS 1 "First-time adoption of International Financial Reporting Standards", so that only business combinations carried out from 1 January 2004—the transition date to IFRS-EU—have been recorded using the acquisition method. Acquisitions of entities prior to that date were recorded in accordance with the previous GAAP, taking the necessary corrections and adjustments on the transition date into account.

The Group has applied IFRS 3 "Business Combinations"—revised in 2008—to transactions carried out from 1 January 2010.

The acquisition date is the date on which the Group gains control of the acquired business.

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the purchase of a subsidiary includes:

- the fair value of the assets transferred
- the liabilities incurred with the previous owners of the business acquired
- the holdings in the equity issued by the group
- the fair value of any asset or liability arising from a contingent consideration agreement, and
- the fair value of any prior holding in the subsidiary's equity.

The identifiable assets acquired, the liabilities and the contingent liabilities assumed in a business combination are, with limited exceptions, initially valued at their fair value on the acquisition date. The group recognises any non-controlling interest in the entity acquired on a basis of acquisition at fair value, or by the proportional part of the non-controlling interest of the net identifiable assets of the entity acquired.

The costs relating to the acquisition are recognised as expenses when they are incurred.

The excess of:

- the consideration transferred
- the amount of any non-controlling interest in the entity acquired, and
- the fair value of any prior holding in the equity of the entity acquired on the acquisition date

over the fair value of the net identifiable assets acquired is recorded as goodwill. If these amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is directly recognised in profit and loss as a bargain purchase.

When payment of any part of the consideration in cash is deferred, the amounts payable in the future are discounted at their actual value on the exchange date. The discount rate used is the entity's incremental borrowing rate of interest, being the rate at which a similar loan may be obtained from an independent financier under comparable terms and conditions.

The contingent consideration is classified as equity or a financial liability. The amounts classified as a financial liability are subsequently revalued at fair value with the changes in fair value being recognised in profit and loss.

If the business combination is carried out in stages, the book value at the date of acquiring the previously held equity holding is revalued at fair value on the acquisition date, and any gain or loss is recognised in profit and loss.

2.9.3 Non-controlling interests

Non-controlling interests in subsidiaries acquired after 1 January 2004 are recorded by the percentage holding at the acquisition date at the fair value of the net identifiable assets. Non-controlling interests in subsidiaries acquired prior to the transition date are recognised by the percentage holding in their equity on the date of first consolidation.

Excess losses attributable to non-controlling interests prior to 1 January 2010 but not allotted to them as they exceeded the total amount of the holding in the equity of the subsidiary, are recorded as a decrease in equity attributable to the Parent Company shareholders, except in cases where the non-controlling interests have a binding obligation to assume a part or all of the losses and they have the capacity to make the necessary additional investment. Profit obtained in subsequent financial years is allotted to the equity attributable to Parent Company shareholders until the total losses absorbed in previous accounting period relating to non-controlling interests are recovered.

From 1 January 2010, profit and loss and each item on the other comprehensive results, are allotted to equity attributable to the Parent Company shareholders and the non-controlling interests in proportion to the holding, even if this involves a debtor balance for non-controlling interests. Agreements entered into between the Group and the non-controlling interests are recognised as a separate transaction.

2.9.4 Associates (Appendix II)

Associates are considered as any companies in which the Parent Company has the ability to exercise significant influence, though it does not exercise either control or joint control. In general terms, it is assumed that significant influence exists when the percentage stake (direct or indirect) held by the Group exceeds 20% of the voting rights, as long as it does not exceed 50%.

Associates are valued using the equity method in the consolidated annual accounts.

The profit (loss) net of tax of the associate companies is included in the Group's consolidated comprehensive profit and loss statement, in the item "Profit (Loss) from entities valued through the equity method", according to the percentage of the Group's stake.

If, as a result of the losses incurred by an associate company, its equity were negative, in the Group's consolidated balance sheet it would be nil; unless there were an obligation on the part of the Group to support it financially.

At each year-end, the existence of indicators of a potential impairment of the investment in the associate is assessed in order to recognise the related impairment loss, where appropriate To determine the fair value of investments in companies whose sole asset consists of property inventories, appraisals were obtained from the same independent valuer that appraised the Group's inventories. In the case of the other companies, discounted cash flow valuations were performed internally, similar to those described in Note 4.4.

2.9.5 Changes in the scope of consolidation

Additions to the scope of consolidation
On 7 September 2020, the Group acquired 100% of the shares of the Boscolo Hotels Group, which runs eight luxury hotels in prime areas of Rome. Florence, Venice, Prague, Nice and Budapest (Note 6, Business combinations).

It also created the company, NH Strandgade APS in Copenhagen and two companies in Italy, NH Italia Real Estate, S.r.l. and NH Holding Srl. These companies are currently non trading but the objective is for them to become hotel operators.

In October 2019, the Group formed the company Anantara The Marker Ltd to acquire the company GCS Hotel Limited, operator of The Marker hotel in Dublin (Note 6, Business combinations).

Disposals
In December 2020 the Group sold 100% of its investment in the company Onroerend Goed Beheer Maatschappij Bogardeind Geldrop B.V., owner of the NH Geldrop hotel in Holland. The sale involved a cash entry of 6,359 thousand euros. The sale did not have a significant impact on the profit (loss) for the year.

On 1 July 2020 the Group sold 100% of its investment in the company Onroerend Goed Beheer Maatschappij Mass Best B.V., owner of the NG Best hotel in Holland. The sale involved a cash entry of 3,262 thousand euros. The sale did not have a significant impact on the profit (loss) for the year.

In January 2019, the Group sold the 49% shareholding it held in Beijing NH Grand China Hotel Management Co, Ltd. This sale resulted in a cash inflow of 1.9 million euros and has not had a significant impact on profits for the year.

Mergers and demergers
To simplify the group's corporate structure, in April 2020 the Argentine company Latina de Gestión Hotelera, S.A. absorbed Inmobiliaria y Financiera Aconcagua, S.A., Edificio Metro, S.A., Polis Corporación, S.A. and Blacom, S.A. Latina de Gestión Hotelera also spun off its investment in the Chilean company Latina Chile, S.A. to the new company Latina Holding S.A.U.

In December, on the other hand, Hoteles Royal, S.A. spun off the investments it had in Chile in the companies Eurotels Chile, S.A., Inmobiliaria Royal, S.A., Royal Santiago Hotel, S.A. plus Rhinco Inc—the investment it had in the United States—to the new company Inversiones Chilenas, S.A.

Hoteles Royal, S.A. also absorbed: Hoteles la Boheme LTDA, Hotel Hacienda Royal LTDA, Hotel Andino Royal, S.A., Hotel Pavillon Royal LTDA, Sociedad operadora Urban Royal Calle 26, S.A.S., Sociedad Operadora calle 100 Royal S.A.S, Hotel Pacifico Royal LTDA, Hotel Parque Royal S.A.S, Sociedad Hotelera Calle 74 LTDA, Sociedad operadora Barranquilla Royal S.A.S, Sociedad Operadora Cartagena Royal SAS and Hotel Medellin Royal LTDA, to simplify the group´s corporate structure in Colombia.

3.- PROPOSED DISTRIBUTION OF PROFITS

At the Ordinary General Shareholders' Meeting, the Parent Company's directors will propose that the losses on the results for the financial year ended on 31 December 2020 be applied to the "Previous years' losses" account to be offset in future financial years.

Furthermore, on 25 February 2020, the Board of Directors agreed the following proposal for application of the profit/loss (in thousands of Euros) for the financial year ended on 31 December 2019:

	2019
To legal reserve	15,894
To voluntary reserves	84,275
To distribution of dividends	58,771
Total	**158,940**

On 28 April 2020, in light of the Covid-19 situation, the Company's Board of Directors agreed to withdraw the proposal that considered the distribution of a gross dividend of 0.15 euros per share. The Board Meeting also decided that, on the call of the Shareholders' Meeting, it would prepare an alternative proposal adjusted to the new situation, making the statement of the auditor to which Article 40 6 bis of Royal Decree-Law 8/2020 refers available to shareholders. This was duly communicated as Privileged Information to the National Securities Market Commission on 28 April 2020 and registration number 194.

In light of the foregoing, the General Shareholders' Meeting on 16 July 2020 approved, among other items, the new proposal detailed below:

	2019
To legal reserve	15,894
To voluntary reserves	143,046
Total	**158,940**

4.- VALUATION STANDARDS

The main principles, accounting policies and valuation standards applied by the Group to draw up these consolidated financial statements, which comply with IFRS in force on the date of the relevant financial statements, have been the following:

4.1 Property, plant and equipment

Tangible fixed assets are valued at their original cost. They are subsequently valued at their reduced cost resulting from cumulative depreciation and, as appropriate, from any impairment losses they may have suffered.

Due to the transition to IFRS, the Group reappraised the value of some land to its market value on the basis of appraisals made by an independent expert for a total amount of 217 million euros. The reappraised cost of such land was considered as a cost attributed to the transition to the IFRS. The Group followed the criterion of not re-valuing any of its tangible fixed assets at subsequent year-ends.

Enlargement, modernisation and improvement costs entailing an increase in productivity, capacity or efficiency or a lengthening of the assets' useful life are recognised as increases in the cost of such assets. Conservation and maintenance costs are charged against the consolidated comprehensive profit and loss statement for the year in which they are incurred.

Withdrawn assets and items, whether arising as a result of a modernisation process or due to any other cause, are accounted for by derecognising the balances presented in the corresponding cost and accumulated depreciation accounts.

The Group depreciates its property, plant and equipment following the straight line method, distributing the cost of the assets over their estimated useful lives, in accordance with the following table:

	Estimated years of useful life
Buildings	33-50
Plant and machinery	10-30
Other plant, fixtures and furniture	5-10
Other fixed assets	4-5

These items are depreciated based on their estimated useful life or the remaining term of the lease, if this is less than the useful life.

The profit or loss resulting from the disposal or withdrawal of an asset is calculated as the difference between the profit from the sale and the asset's book value, and is recognised in the consolidated comprehensive profit and loss statement.

4.2 Goodwill

Goodwill is determined from the criteria set out in the section on business combinations.

Goodwill is not amortised, but its impairment is checked annually or earlier if there are indications of a potential loss in asset value. For these purposes, the goodwill resulting from the business combination is assigned to each of the Group's cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the combination and have the criteria referred to in section 4.4 (impairment) applied. After initial recognition, goodwill is valued at cost less accumulated impairment losses.

At the time of the disposal of a subsidiary or jointly controlled entity, the amount attributable to the goodwill is included when determining the profits or losses arising from the disposal.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is valued in the functional currency of the acquired company, with the conversion to euros being made at the exchange rate prevailing at the balance sheet date.

Internally generated goodwill is not recognised as an asset.

4.3 Other intangible assets

Other intangible assets are considered to be any specifically identifiable non-monetary assets which have been acquired from third parties or developed by the Group. Only those whose cost can be estimated in an objective way and from which future economic profits are expected are recognised.

Other intangible assets are initially recognised at acquisition or production cost and are subsequently measured at cost less, as appropriate, their accumulated amortisation and any impairment losses they have suffered.

Any assets deemed to contribute indefinitely to the generation of profits are considered to have an indefinite useful life. The remaining intangible assets are considered have a "finite useful life".

Other intangible assets with an indefinite useful life are not amortised and are hence subjected to the "impairment test" at least once a year (Note 4.4).

Other intangible assets with a finite useful life are amortised according to the straight-line method on the basis of the estimated years of useful life of the asset in question.

The following are the main items recognised under the "Other intangible assets" heading:

i) Hotel operating rights: As a consequence of entering into the consolidation of Hoteles Royal, S.A., the Group recognised operating rights of the hotel portfolio for 35 years within this concept. Furthermore, in the 2020 financial year, with the entry of Boscolo Hotels into the scope of consolidation, operating rights of the hotels where operation has commenced with this business combination were recognised lasting 31 years.

ii) "Concessions, patents and trademarks" basically reflect the disbursements made by Gran Círculo de Madrid, S.A. for the refurbishment and remodelling of the building where the Casino de Madrid is located. The amortisation of such works is calculated on a straight-line basis by taking into account the term of the concession for operating and managing the services provided in the building where the Casino de Madrid is located, which finalises on 1 January 2037. Furthermore, this item includes the brands of the Royal Group with a useful life of 20 years.

iii) "Computer applications" include the costs incurred by the Group Companies in the acquisition and development of various computer software programmes acquired by the different consolidated companies. The amortisation of software applications is performed using the straight-line method at a rate of 20-25% per year.

iv) Other Rights: this item reflects the right of usufruct on Hotel NH Plaza de Armas in Seville, acquired in 1994, whose amortisation is recognised in the income statement over the 30-year term of the agreement at a rate which increases by 4% each year.

4.4 Impairment to non-financial assets subject to amortisation or depreciation

The Group evaluates the possible existence of a loss of value each year that would oblige it to reduce the carrying amounts of its tangible and intangible assets. A loss is deemed to exist when the recoverable value is less than the carrying amount.

The recoverable amount is determined as the value in use, with the sole exception of some cases in which the valuation of an independent third party was used as the recoverable amount. The value in use is calculated from the estimated future cash flows, discounted at a discount rate after tax that reflects the current market valuation with respect to the value of money and the specific risks associated with the asset, covering a five-year period and a perpetual value, except in the case of leased hotels that correspond to the term of the lease, a perpetual value therefore not being considered in the latter.

Moreover, and regardless of the existence of any indication of impairment, the Group, at least once a year, checks potential impairment that may affect goodwill.

The recoverable value should be calculated for an individual asset, unless the asset does not generate cash entries which are, by and large, independent of those relating to other assets or groups of assets. If this is the case, the recoverable value is calculated for the Cash-Generating Unit (CGU) it belongs to. As a general rule, the Group has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

If there are signs of impairment in a CGU that goodwill could not be allotted to goodwill, the Group checks, in the first place, the impairment to the CGU, without including goodwill and recognises, as appropriate, the impairment loss at the level of the CGU. Subsequently, the Group checks the impairment in the group of CGUs to which goodwill was allotted and recognises, as appropriate, the impairment loss at the level of the groups of CGUs.

In the case of Hoteles Royal, S.A., where the whole business of Royal Group was acquired and whose purchase was effective in 2015, the cash-generating unit corresponds to the Group as a whole (Colombian, Chilean and Ecuadorian market).

In 2020, with the acquisition of the Boscolo Hotels Group, goodwill was generated which was allotted to a single cash generating group unit that relates to the entire Group.

The operating result for each CGU is obtained at the end of the year without taking non-recurring results (if any) or financial results into account. Once the operating result is obtained for each CGU, the impairment test is performed for those in which there are indications of impairment. Among others, the Group considers that a CGU has indications of impairment if it meets the following conditions: it has negative operating results and its business is stable (they have been open for 3 years).

As an exception, given the current economic situation as a result of the pandemic caused by Covid-19, analyses have been carried out to determine if there is any impairment to the CGUs as a whole.

Losses due to impairment of the CGU initially, if appropriate, reduce the value of the goodwill allotted to it, and subsequently to the CGU's other assets, pro rata depending on the book value of each one of the assets, with the limit for each one of them of the greater of their fair value less the costs of disposal and its value in use.

On each closing date the Group assesses whether there are any indications that impairment losses recognised in previous years no longer exist or may have decreased. Impairment losses relating to goodwill are not reversible. Impairment losses on the remaining assets are only reversed if a change has occurred in the calculations used to determine the asset's recoverable value. Reversal of the impairment loss is recorded as a credited to profit and loss.

4.5 Leases

At the beginning of a contract, the Group assesses whether it contains a lease. A contract is, of contains, a lease if it gives the right to control the use of the asset identified during a period of time in exchange for a consideration. Leases are recognised as a right-of-use asset and the corresponding liability on the date the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially valued based on their present value. Leasing liabilities include the net present value of the following leasing payments:

- Fixed payments (including fixed payments in essence), less any lease incentive collectable.
- Variable payments for leases that reply on an index or rate, initially valued according to the index or rate on the start date.
- Amounts expected to be paid by the group for residual value guarantees.
- The price to exercise a purchase option if the group is reasonably certain that it will exercise that option.
- Penalty payments terminating the lease if the term of the lease reflects the group exercising that option.

In order to determine the term of the lease contracts, the Group has taken as non-cancellable the initial term of each contract, taking the possible unilateral extensions at the option of the Group only in those cases in which it has been reasonably considered certain that they will be exercised, and only the cancellation options whose exercise has been reasonably considered certain have been taken into account.

The general determination of not including unilateral extension of contracts as a part of their term, is based on the Group´s historical experience. The windows for renewal have historically been used as renegotiation windows, unless the market situation was clearly favourable for the Group. Therefore, given that hotel rental agreements are normally signed with a first term that is higher than a macroeconomic cycle (5 years), our experience shows that is it highly probable that some unknown event may occur on the date the agreement is signed, and which may significantly affect such judgment. The attacks in Europe, in Brussels or in Nice, serve as an example, as does the actual pandemic, as they changed the economic paradigm and affected the frameworks for negotiating rent. Furthermore, to determine the term for lease agreements, the term for recovering the investments made in it are taken into account.

To determine lease terms, there are no penalties for not exercising the extensions mentioned above, nor have early terminations with penalties been included.

Contracts may contain leasing and non-leasing components. The Group assigns the consideration in the contract to the leasing and non-leasing components based on their relative independent prices. For real estate leases in which the Group cannot separate the leasing and non-leasing components, it accounts for them as a single leasing component.

Leasing payments are discounted using the implicit interest rate in the lease. If this rate cannot be easily determined, which is generally the case for the group's leases, the incremental interest rate is used. The incremental interest rate is the interest rate that the lessee would incur at the commencement of the lease if it borrowed, over a period of time, with similar guarantees and in a similar economic environment. The interest was calculated as a combination of the following elements:

- CDS curve of the economic environment
- Euribor Swap Rate Curve.
- Synthetic NH CDS curve.

These elements were combined to obtain an interest rate curve for each contract based on its geo-economics specificities and from which the calculation process consists of bringing each of the discounted flows to the present value at the interest rate corresponding to each maturity within said curve and calculating which single equivalent rate would be used to discount said flows.

Potential future increases in variable payments for leases based on an index or rate are not included in leasing liabilities until they take effect. When the adjustments to the leasing payments based on an index or rate take effect, the leasing liability is assessed again and set against the asset for right of use.

Leasing payments are allocated between principal and financial cost. The financial cost is charged to profit/(loss) during the leasing period in a manner that creates a periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are valued at cost that comprises the following:

- The initial valuation amount of the leasing liability.
- Any leasing payment made on or before the state date, less any incentive to lease received.
- Any initial indirect cost.
- Restoration costs.
- Incentives to lease received from the lessor.
- Provision on onerous contracts.

In application of IFRS 16, all rent that does not come under the definition of fixed payments in substance and, therefore, is outside the Group's maximum compulsory commitment, as they are not inevitable, is recorded as an operational expense for the year.

Therefore, the Group records variable rent that is linked to exploitation of the underlying assets as an expense, along with those arising from percentages of sales and other similar reference points. Moreover, all rent that, in application of IFRS 16, are outside the Group's maximum compulsory commitment are recorded as an operational expense for the year.

Variable rents that are not, in essence, fixed and the way in which they may involve a liability for the Group would be that the flows arising from exploitation of the CGU are estimated to be negative and, therefore, the Group would be obliged to record a provision for onerous contracts.

An amendment to IFRS 16 was approved by the IASB on 28 May 2020 to help accounting for changes in leases resulting from the pandemic caused by Covid-19. The amendment establishes an exemption in which rental concessions caused by Covid-19 may not be recorded as amendments to the lease (Note 2.2.2).

4.6 Financial instruments

4.6.1 Financial assets

Financial assets are recognised in the consolidated balance sheet when they are acquired and initially recognised at their fair value. The financial assets held by Group companies are classified as follows:

- Financial assets at fair value through profit or loss are those assets acquired by the companies with the objective of obtaining the contractual flows and selling them; or those assets that do not consist exclusively of the payment of the principal and interest and the management model is the sale of the same, in general terms, practically all of the variation in the fair value of the Group's financial assets are recorded with a charge to the consolidated statement of changes in equity. Interest income, exchange rate differences and impairment losses are recognised in the income statement and other gains or losses are recognised in "Other comprehensive profit and loss" in equity. Any cumulative gain or loss recognised in equity is reclassified to profit or loss at the time of derecognition.

- Financial assets at amortised cost: assets whose contractual cash flows consist exclusively of principal and interest payments and, if the management model of such assets is to hold them to obtain the contractual flows. In this case, the Group records any changes in value with a charge to the consolidated comprehensive profit and loss statement.

Transaction costs at the time of acquisition are recognised as an increase in acquisition cost or as an expense, depending on whether the financial asset being transacted is considered at fair value through profit or loss.

Fair value of a financial instrument on a given date is construed as the amount for which it could be bought or sold on that same date by two knowledgeable parties acting freely and prudently under conditions of mutual independence.

Interest accrued on financial assets at amortised cost is recognised in the consolidated comprehensive profit and loss statement on the basis of the effective interest rate. Amortised cost is construed as the initial cost minus any collections or amortisation of the principal, taking into account any potential reductions based on expected loss.

As regards valuation corrections made to trade and other accounts receivable in particular, the criterion used by the Group to calculate the corresponding valuation corrections, if any, generally consists of provisioning according to the expected loss based on the credit risk of the customer portfolio.

The Group derecognises financial assets when the cash flow rights of the corresponding financial asset have expired or have been transferred and the risks and rewards incidental to its ownership have been substantially all transferred.

Conversely, the Group does not derecognise financial assets and recognises a financial liability for an amount equal to the consideration received in the transfers of financial assets in which the risks and rewards inherent in its ownership are substantially all retained.

Trade debtors and other receivables

Accounts receivable arising from trading operations are initially recorded at their transaction price and, subsequently, a value correction is made for expected credit losses. Expected credit losses—due to the fragmentation of the Group's trade debtors—are estimated taking the history of losses due to non-payment with respect to the Group's sales and open items into account. For the value correction, in the current situation of uncertainty caused by Covid-19, a detailed analysis is being carried out. To do so, all entries considered to be at risk are being monitored and plans for collecting their payment are being made, or provisions being made for those considered to be at risk of recovery.

Furthermore, the group's credit risk tools are being used, with a default insurance policy for the clients included in the policy, and for which, in the event of there not being certainty about payment, the requirements of the policy to claim the amounts as an "incident" are being followed.

4.6.2 Cash and cash equivalents

"Cash and Cash Equivalents" in the consolidated balance sheet includes cash, demand deposits and other short-term, highly liquid investments that can be realised in cash quickly and are not subject to a risk of changes in value.

4.6.3 Financial liabilities

ISSUES OF BONDS AND OTHER SECURITIES

Debt issues are initially recognised at the fair value of the consideration received, less the costs directly attributable to the transaction. They are subsequently valued at their amortised cost using the effective interest rate method. Bonds with a maturity date greater than twelve months are classified under non-current liabilities, while those with a maturity date of less than twelve months are included in current liabilities.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

Convertible bond issues are recognised at the time of their issue, distributing the fair value of the consideration received between their equity and liability components, assigning the residual value obtained after deducting the amount established separately for the liability component, from the fair value of these instruments as a whole, to the equity instrument. The value of any derivative embedded in the compound financial instrument other than the equity component will be included in the liability component.

BANK LOANS

Loans received from banking institutions are recognised at the amount received, net of costs incurred in the transaction. They are subsequently valued at amortised cost. These costs incurred in the transaction and the financial expenses are recognised on an accrual basis in the consolidated comprehensive profit and loss statement using the effective interest rate method, and their amount is added to liabilities to the extent to which they are not settled in the period they were produced.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

TRADE AND OTHER PAYABLES

Trade accounts payable are initially recognised at fair value and are subsequently valued at amortised cost using the effective interest rate method.

DERIVATIVES AND HEDGE ACCOUNTING

Derivatives used to hedge the risks to which the Group's operations are exposed, mainly exchange and interest rate risks, are valued at market value on the date they are contracted. Any subsequent changes in their market value are recognised as follows:

- Concerning fair value hedges, the differences produced in both the hedging elements as well as in the hedged elements (regarding the kind of risk hedged) are directly recognised in the consolidated comprehensive profit and loss statement.
- For cash flow hedges, valuation differences in the effective part of the hedge elements are temporarily recognised in the equity item "Equity valuation adjustments" and their adjustment is recognised as a lower or higher cost in the initial recognition of the item.

Hedge accounting is interrupted when the hedging instrument expires or is sold or finalised or exercised, or when it no longer meets the hedge accounting criteria. At that time, any cumulative gain or loss corresponding to the hedging instrument that has been recognised in equity is kept there until the expected transaction is undertaken.

When the transaction covered by the hedge is not expected to take place, the net cumulative gains or losses recognised in equity are transferred to the profit or loss for the period. Any changes in the fair value of derivatives which fail to meet hedge accounting criteria are recognised in the consolidated comprehensive profit and loss statement as they arise.

Derivatives embedded in other financial instruments or in other main contracts are recognised separately as derivatives only when their risks and characteristics are not closely related to those of the main contract and providing such main contracts are not valued at fair value with changes through consolidated comprehensive profit and loss.

VALUATION TECHNIQUES AND ASSUMPTIONS APPLYING TO THE MEASUREMENT OF FAIR VALUE

The fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities under standard terms and conditions which are traded in active liquid markets are based on market prices.
- The fair value of other financial assets and liabilities (excluding derivatives) is determined in accordance with generally accepted valuation models on the basis of cash flow discounting using the price of observable market transactions and contributor listings of similar instruments.
- In order to determine the fair value of interest rate derivatives, cash flow discounting is used based on the implicit flow determined by the interest rate curve according to market conditions. In order to determine the fair value of options, the Group uses the Black-Scholes valuation model and its variants, using for this purpose market volatilities for the strike and maturity prices of said options.

Any financial instruments valued after their initial recognition at fair value are classified as level 1 to 3 based on the extent to which fair value can be observed:

- Level 1: includes any instruments indexed to listed prices (without adjustment) of identical assets or liabilities in active markets.
- Level 2: includes any instruments indexed to other observable inputs (which are not the listed prices included under Level 1) for assets or liabilities, be it directly (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: includes any instruments indexed to valuation techniques, which include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

4.6.4 Equity instruments

An equity instrument represents a residual interest in the equity of the Parent Company once all its liabilities are subtracted.

Equity instruments issued by the Parent Company are recognised in equity for the amount received, net of the issue expenses.

4.7 Non-current assets and associated liabilities held for sale and discontinued operations

Assets and liabilities the carrying amount of which is recovered through a sale and not from continued use are classified as non-current assets held for sale and liabilities associated with non-current assets held for sale. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its current state, and it is estimated that the sale will be completed within one year from the date of classification.

Non-current assets and associated liabilities classified as held for sale are valued at the lower of their historic cost or their fair value less selling expenses.

Discontinued operations represent components of the Group which will be disposed of. These components are activities and cash flows that can be clearly distinguished from the rest of the Group, both operationally and for the purposes of financial reporting, and represent lines of business or geographical areas which can be considered as separate from the rest.

4.8 Classification of financial assets and debts into current and non-current

In the attached consolidated balance sheet, financial assets and debts are classified on the basis of their maturity; in other words, those with a maturity date equivalent to or less than twelve months are classified as current and those with a maturity date exceeding this are non-current.

4.9 Income and expenses

Income and expenses are recognised on an accrual basis, i.e. when the control of goods and services they represent has been transferred, irrespective of the moment when the monetary or financial flows deriving from them arise.

More specifically, income is calculated at the fair value of the consideration to be received and represents the amounts to be collected for the goods and services delivered within the ordinary framework of operations, subtracting any discounts and taxes.

Sale of rooms and other related services
Income from the sale of rooms and other related services is recognised daily based on the services provided by each hotel, including customers who are still staying at the hotel at the close of each day. In this respect, the Group recognises the income when the service is considered to be provided and, therefore, fulfils the obligation for performance assumed on check-in. Due to this, for example, in the case of an accommodation service that covers several nights, the income is recognised on a daily basis for each one of the overnight stays.

The consideration received is distributed among the contracted services. These include direct services such as room, food, drink and other consumption, and others related to banquets, events and the rental of spaces. Therefore, the obligations are completely separate and they are recorded at the time they occur.

In the case of the sale of several services together, such as, for example, an accommodation service with one for breakfast, the Group, when it makes the offer, sets the price for each one of the obligations assumed, for which reason at the time the services is considered to be provided the income is recorded at the price set beforehand. Solely in the case of promotions where the service is provided “free-of-charge” with the other one, the Group applies a methodology where the consideration is divided using a ratio calculated by hotel based on the costs of the service at that hotel plus an additional margin.

Provision of services
The Group recognizes the income from its hotel management contracts in the year in which the services are provided, based on the evolution of the variables that determines this income and which are mainly the total income and the gross operating profit of each hotel managed by the Group.

Loyalty programme
With regarding to the accounting treatment of the “NH Rewards” customer loyalty programme, we consider that if awarding points gives a significant right to the customer, then it effectively pays the company for future goods or services in advance, and the company should recognise the income from ordinary activities when the points are redeemed or when they expire.

Therefore, when the significant right is generated, the Group records a provision for the estimated equivalent value, partly lowering the income from the sale coupled with the issue of the right. When points are redeemed the income from the transaction is recorded and the provision is derecognised.

The estimated value of the significant right is calculated, showing the discount the customer would receive when exercising the option (one Euro for each point the customer has collected) and taking the two following aspects into account:

- any discount the customer may receive without exercising the option; and
- the probability that the option will be exercised.

The amount of the provision relating to the loyalty programme is recorded in current liabilities on the consolidated balance sheet.

4.10 Official subsidies

Group companies follow the criteria set out below in recognising official subsidies:

- Non-reimbursable capital subsidies (connected with assets) are valued at the amount granted, recognised as deferred income and taken into profit and loss in proportion to the depreciation of the assets financed by such subsidies during the financial year.
- Operating subsidies are recorded as a reduction of the expenses they finance.

4.11 Corporate income tax

The cost of the year's corporation tax is calculated through the sum of the current tax resulting from applying the tax rate to the taxable income for the year and then applying the relevant tax adjustments according to the law plus any changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities include temporary differences, being any amounts expected to be payable or recoverable due to differences between the carrying amounts of the assets and liabilities and their tax value, as well as tax loss carry-forwards and any credits resulting from unapplied tax deductions. Said amounts are recognised by applying to the relevant temporary difference or credit the tax rate at which they are expected to be recovered or settled.

In some countries, the tax rate varies depending on whether a transfer of assets is made. In these cases, the Group's policy consists of applying the effective tax rate at which they are expected to be recovered or settled. In the opinion of the Parent's Directors, the deferred tax thus calculated covers the amount which may eventually be settled, if any, in the foregoing case.

Deferred tax liabilities for all taxable temporary differences are recognised, except for those in which the temporary difference arises from the initial recognition of goodwill amortisation of which is not tax-deductible or the initial recognition of other operating assets and liabilities which do not affect either the tax or accounting result.

Deferred tax assets identified as temporary differences are recognised only if it is deemed probable that the consolidated entities will make sufficient tax profits in the future to realise them and they do not come from the initial recognition of other assets and liabilities in a transaction which does not affect either the tax or accounting result. Other deferred tax assets (tax loss carry-forwards and tax credits) are recognised only if it is likely that the consolidated companies will make sufficient tax profits in the future to be able to apply them.

At each year-end, deferred taxes (both assets and liabilities) are reviewed in order to verify that they remain in force and the relevant corrections are made in accordance with the outcome of the analyses conducted.

4.12 Obligation to employees

Spanish hotel companies are obliged to make a specific number of monthly salary payments to those employees who leave the company due to retirement, permanent disability or upon reaching a certain age and having a certain number of years of service and fulfilling certain pre-established requirements.

In this regard and in compliance with Royal Decree-Law 16/2005, the Group has outsourced its pension obligations for its employees' pension plans.

Also, in accordance with Italian law, employees of Italian companies have the right to compensation if they resign or are dismissed.

Its obligations to personnel also include those arising from contracting pension funds for certain employees, which in the Group, mainly affects the business units of Italy and the Netherlands.

Therefore, to provide for these obligations to future payments to personnel, the Group has recognised a liability under "Provisions for Risks and Charges" (Note 21).

4.13 Onerous contracts

The Group considers onerous agreements to be those in which the inevitable costs of fulfilling the obligations they entail exceed the economic benefits expected from them.

The Group follows the principle of recording a provision at the present value of the aforementioned differences between the costs and benefits of the contract, or the compensation foreseen for abandonment of the contract, if such is decided.

4.14 Share-based Remuneration Schemes

These schemes, which are settled in shares, are valued at the time of granting, using a financial method based on a binomial model which takes into consideration the strike price, volatility, the exercise period, the expected dividends, the risk-free interest rate and the assumptions made concerning the financial year.

In accordance with IFRS 2, the above-mentioned valuation is recognised in profit or loss under personnel expenses during the period established as a requirement for the employee to remain in the company before exercising the option. Said value is recognised on a straight-line basis in the consolidated comprehensive profit and loss statement from the date the option is granted until the date on which it is exercised.

On each subsequent closing date, the Group reviews the estimates regarding the number of options expected to be exercisable, adjusting the equity figure if necessary.

4.15 Treasury shares

Pursuant to IAS 32, treasury shares are presented by reducing the Group's equity. Treasury shares are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the consolidated comprehensive profit and loss statement.

4.16 Provisions and obligations to employees

The Group follows the policy of provisioning for the estimated amounts arising from ongoing litigation, indemnities or obligations, as well as for any sureties or guarantees granted by Group companies which could involve the Group in a payment obligation (either legal or implicit), provided the amount can be reliably estimated.

Provisions are quantified based on the best information available on the position and evolution of the events that cause them and are re-estimated at the end of each reporting period, being totally or partially reversed when these obligations cease to exist or decrease.

Contingent liabilities, except in business combinations, are not recognised in the consolidated financial statements, but are reported in the notes to the financial statements, in accordance with the requirements of IAS 37.

The consolidated balance sheet at 31 December 2020 includes, pursuant to IFRS (IAS 37), a provision of 1,661 thousand euros for this item (841 thousand euros at 31 December 2019).

4.17 Environmental policy

Investments arising from environmental activities are valued at their original cost and capitalised as increases in the cost of fixed assets or inventory in the financial year in which they are incurred.

Any expenses arising from environmental protection and improvement are recognised in the consolidated comprehensive profit and loss statements for the year in which they are incurred, irrespective of the moment when the cash or financial flows deriving from them arise.

Provisions for likely or certain liabilities, ongoing litigation and outstanding indemnities or obligations of an indeterminate amount connected with the environment and not covered by the insurance policies taken out are established at the time the liability or obligation linked to the indemnities or payment arises.

4.18 Consolidated cash flow statements

The following terms with their corresponding explanation are used in the consolidated cash flow statement prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operational activities: the typical activities of the entities forming the consolidated group, along with other activities that cannot be classified as investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

5.- PROFIT/(LOSS) PER SHARE

Profit (Loss) per share is calculated by dividing the net profit or loss attributable to the Group in a period by the weighted average number of shares in circulation during the period, excluding the average number of treasury shares held during the same period.

In accordance with this:

	31.12.2020	31.12.2019
Net Profit/(Loss) for the year (thousands of euros)	(437,159)	89,964
Weighted average number of shares in circulation (in thousands)	391,965	391,754
Basic Earnings per share (basic and diluted) in euros	**(1,115)**	**0,230**

6.- BUSINESS COMBINATIONS

On 7 September 2020, the Group acquired 100% of the shares of the Boscolo Hotels Group, which runs eight luxury hotels in prime areas of Rome. Florence, Venice, Prague, Nice and Budapest. The Group operates through the following companies:

- Hungarian Opco New York Palace K.F.T.
- Italian OpCo Roco Hospitality Group, S.R.L.
- Czech Opco AGAGA, s.r.o.

The hotels are run under the variable rent with a guaranteed minimum system.

The amount of the initial consideration for the acquisition of the Boscolo Hotels Group was 50,491 thousand euros, to which 2,147 million euros was added relating to the net working capital position at the integration date. Both amounts were wholly paid up at the time of acquisition. After a subsequent review of the net working capital position and an additional agreement with the vendor, the Group recorded an account receivable with the vendor of 6,900 thousand euros, recorded under the "Other non-trade debtors" heading.

The consideration, the final fair values of the assets and liabilities identified at the time of acquisition and the final goodwill are set out below:

Item	Thousands of euros
Other intangible assets (Note 10)	51,187
Property, plant and equipment (Note 7)	850
Right-of-use assets (Note 8)	52,629
Deferred tax assets (Note 19)	5,610
Other non-current assets	150
Cash and cash equivalents	2,722
Other current assets	2,097
Leasing liabilities (Note 8)	(52,629)
Provisions for contingencies and costs (Note 21)	(4,710)
Deferred tax liabilities (Note 19)	(11,458)
Other current liabilities	(12,168)
Fair value of the acquired entity's net assets	**34,280**
Net Consideration	**45,738**
Goodwill (Note 9)	**11,458**

The fair values of the assets and liabilities acquired were estimated internally based on the Group's past experience.

The inflow of Boscolo Hotels has involved a negative effect of 11.3 million euros on the consolidated comprehensive income statements at 31 December 2020. The negative effect was mainly caused by the effects of Covid-19.

In October 2019, the Group formed the company Anantara The Marker Ltd to acquire the company GCS Hotel Limited, operator of The Marker hotel in Dublin. The acquisition cost was 13,652 thousand euros and the inclusion of these companies has had the following effects on the consolidated balance sheet:

Item	Thousands of euros
Property, plant and equipment (Note 7)	4,032
Rights of use (See Note 8)	9,428
Current assets	2,257
Current liabilities	(2,065)
Fair value of the acquired entity's net assets	**13,652**
Net Consideration	**(13,652)**

The entry of this company did not have a significant effect on the consolidated comprehensive income statements at 31 December 2019.

7.- PROPERTY, PLANT AND EQUIPMENT

The breakdown and movements in the year were as follows (in thousands of euros):

	Thousands of euros				
	Land and buildings	Plant and machinery	Other fixtures, tools, furniture and others	Property, plant and equipment in progress	Total
Cost, allotted cost, revalued cost	1,647,261	838,501	452,211	74,286	3,012,259
Accumulated amortisation	(381,829)	(540,355)	(336,278)	—	(1,258,462)
Impairment losses	(27,472)	(8,570)	(4,632)	—	(40,674)
NET BOOK VALUE AT 01 JANUARY 2020	**1,237,960**	**289,576**	**111,301**	**74,286**	**1,713,123**
COST, ALLOTTED COST, REVALUED COST					
Inclusions	1,740	39,076	23,276	31,953	96,045
Retirements	(8,869)	(28,224)	(37,013)	(1,601)	(75,707)
Business combinations (Note 6)	—	171	472	207	850
Changes in the scope of consolidation	(13,618)	(649)	(222)	154	(14,335)
Transfers	(5,975)	6,803	12,418	(13,149)	97
Transfers of assets held for sale and disposable groups of items (Note 16)	10,495	—	—	—	10,495
Exchange differences and IAS 29 impact	(22,725)	(4,853)	(3,695)	(6,264)	(37,537)
ACCUMULATED AMORTISATION					
Inclusions	(23,297)	(45,652)	(31,119)	—	(100,068)
Retirements	3,607	23,719	35,785	—	63,111
Changes in the scope of consolidation	2,344	306	657		3,307
Transfers	—	2,427	(2,443)	—	(16)
Exchange differences and IAS 29 impact	4,828	3,895	2,183	—	10,906
IMPAIRMENT LOSSES					
Impairment losses recognised in profit and loss	(48,252)	(6,105)	(2,370)	—	(56,727)
Transfers	2,156	84	—	—	2,240
Exchange differences and IAS 29 impact	—	140	—	—	140
BALANCE AT 31 DECEMBER 2020	**1,140,394**	**280,714**	**109,230**	**85,586**	**1,615,924**
Cost, allotted cost, revalued cost	1,608,309	850,825	447,447	85,586	2,992,167
Accumulated amortisation	(394,347)	(555,660)	(331,215)	—	(1,281,222)
Impairment losses	(73,568)	(14,451)	(7,002)	—	(95,021)
NET BOOK VALUE AT 31 DECEMBER 2020	**1,140,394**	**280,714**	**109,230**	**85,586**	**1,615,924**

	Thousands of euros				
	Land and buildings	Plant and machinery	Other fixtures, tools, furniture and others	Property, plant and equipment in progress	Total
Cost, allotted cost, revalued cost	1,641,246	793,447	444,646	50,556	2,929,895
Accumulated amortisation	(360,607)	(538,142)	(347,731)	—	(1,246,480)
Impairment losses	(32,948)	(5,071)	(7,678)	—	(45,697)
NET BOOK VALUE AT 1 JANUARY 2019	**1,247,691**	**250,234**	**89,237**	**50,556**	**1,637,718**
COST, ALLOTTED COST, REVALUED COST					
Inclusions	8,296	80,881	42,409	39,765	171,351
Retirements	(1,946)	(47,223)	(41,586)	(32)	(90,787)
Business combinations (Note 6)	—	2,842	1,190	—	4,032
Transfers	1,723	9,533	5,352	(16,563)	45
Exchange differences and IAS 29 impact	(2,058)	(979)	200	560	(2,277)
ACCUMULATED AMORTISATION					
Inclusions	(24,044)	(45,995)	(29,092)	—	(99,131)
Retirements	1,391	43,076	40,192	—	84,659
Transfers	—	—	(10)	—	(10)
Exchange differences and IAS 29 impact	1,431	706	363	—	2,500
IMPAIRMENT LOSSES					
Impairment losses recognised in profit and loss	5,474	(3,499)	3,024	—	4,999
Transfers	—	—	22	—	22
Exchange differences and IAS 29 impact	2	—	—	—	2
BALANCE AT 31 DECEMBER 2019	**1,237,960**	**289,576**	**111,301**	**74,286**	**1,713,123**
Cost, allotted cost, revalued cost	1,647,261	838,501	452,211	74,286	3,012,259
Accumulated amortisation	(381,829)	(540,355)	(336,278)	—	(1,258,462)
Impairment losses	(27,472)	(8,570)	(4,632)	—	(40,674)
NET BOOK VALUE AT 31 DECEMBER 2019	**1,237,960**	**289,576**	**111,301**	**74,286**	**1,713,123**

The main additions occurring during the 2020 financial year relate to hotel refurbishment and opening new hotels. Of note is the refurbishment on the NH Sants Barcelona and NH Plaza de Armas in Spain, the renovations of the NH Napoli Panorama, NH Palermo, NH Trieste, NHC Roma Vittorio Veneto and NH Milano Touring in Italy, the refurbishment on the NH Heidelberg, NH Munchen Airport, NH Frankfurt Airport and NH Salzburg City in Central Europe, the refurbishment on the NH Conference Center Leeuwenhorst NH Amsterdam Caransa, NH Brussels Airport, NH Brussels Bloom and NH Luxembourg hotels in Benelux, and in Latin America the refurbihments of NHC Monterrey San Pedro and NH Ciudad de Santiago hotels. Finally, in New York, refurbishment of the NH New York Jolly Madison Towers.

The effect on the profit and loss account of assets de-recognised, replaced or disposed of to third parties outside the Group was a loss of 1,668 thousand euros (a loss of 4,627 thousand euros in 2019), recognised under "Profit/(loss) on the disposal of non-current assets" in the 2020 consolidated comprehensive profit and loss statement.

The net entries for the year included in the "Business combination" and "Changes in the scope of consolidation" rows come, on the one hand, from the sales of the companies Onroerend Goed Beheer Maatschappij Maas Best, B.V., owner of the NH Best hotel, and Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V., owner of the NH Geldrop hotel, both in Holland (Note 2.9.5), and the acquisition of the Boscolo Hotels Group comes under business combinations (Note 6).

At 31 December 2020, there were tangible fixed asset elements with a net book value of 208 million euros (232 million euros in 2019) to guarantee several mortgage loans (Note 18).

The Group has taken out insurance policies to cover any possible risks to which the different elements of its tangible fixed assets are subject, and to cover any possible claims that may be filed against it in the course of its activities. It is understood that such policies sufficiently cover the risks to which the Group is exposed.

At 31 December 2020, firm purchase undertakings amounted to 17.3 million euros. These investments will be made between 2021 and 2022 (37.8 million euros in 2019).

8.- LEASES

The breakdown and movements under this heading were as follows (in thousands of euros):

	Thousands of euros		
	Real estate	Premiums for contracts and other rights	Total
NET BOOK VALUE AT 01 JANUARY 2019	**1,725,598**	**21,725**	**1,747,323**
Changes	120,146	1,928	122,074
Business combinations (Note 6)	—	9,428	9,428
Reversal of impairment losses recognised in profit and loss (Note 11)	2,175	—	2,175
Amortization	(177,872)	(3,207)	(181,079)
Exchange differences	1,578	—	1,578
BALANCE AT 31 DECEMBER 2019	**1,671,625**	**29,874**	**1,701,499**
Cost	4,032,889	73,267	4,106,156
Accumulated amortisation	(2,361,264)	(43,393)	(2,404,657)
Impairment losses	—	—	—
NET BOOK VALUE AT 01 JANUARY 2020	**1,671,625**	**29,874**	**1,701,499**
COST			
Additions and retirements	61,673	—	61,673
Business combinations (Note 6)	52,629	—	52,629
Transfers	(3,629)	—	(3,629)
Exchange differences	(11,094)	—	(11,094)
ACCUMULATED AMORTIZATION			
Additions	(182,734)	(3,576)	(186,310)
Retirements	71,720	—	71,720
Transfer	4,037	—	4,037
Exchange differences	7,626	—	7,626
IMPAIRMENTS			
Impairment losses recognised in profit and loss (Note 11)	(4,333)	—	(4,333)
Exchange differences	2	—	2
BALANCE AT 31 DECEMBER 2020	**1,667,522**	**26,298**	**1,693,820**
Cost	4,132,468	73,267	4,205,735
Accumulated amortisation	(2,460,615)	(46,969)	(2,507,584)
Impairment losses	(4,331)	—	(4,331)
NET BOOK VALUE AT 31 DECEMBER 2020	**1,667,522**	**26,298**	**1,693,820**

	Balance 01.01.2020	Expenses or interest	Business combinations (Note 6)	Changes	Rent payments	Exchange rate differences	Balance 31.12.2020
Leasing liabilities	2,067,369	94,106	52,629	94,215	(244,785)	(3,795)	2,059,739

	Balance 01.01.2019	Expenses or interest	Business combinations (Note 6)	Changes	Rent payments	Exchange rate differences	Balance 31.12.2019
Leasing liabilities	2,099,210	89,620	4,064	125,006	(252,296)	1,765	2,067,369

The main recognitions for the year are due to the opening of several hotels on a lease basis. The openings of the NHOW Amsterdam Rai in the Netherlands and the NH Collection Palazzo Verona in Italy were noteworthy.

Likewise, the change in the scope includes the acquisition of the Boscolo Hotels Group through the companies Roco Hospitality Group S.R.L., New York Palace, Kft. and Agaga, S.R.O.; hotel leasing operators in Italy, Hungary and the Czech Republic (Note 6).

The main impacts on the statement on the consolidated comprehensive profit and loss statement related to the application of IFRS 16 are a higher financial expense of 94,106 thousand euros (89,620 thousand euros in 2019), a net gain of the disposal of non-current assets of 624 thousand euros (positive net gain of 1,044 thousand euros in 2019), due mainly to cancellations of contracts that had no cash impact and asset impairment of 4,333 thousand euros (impairment reversal of 2,175 thousand euros in 2019).

The amounts recorded as right-of-use assets correspond to properties where the NH Group is a lessee for its operation as a hotel.

Short-term leases and low-value leases are recognised as an expense in the consolidated comprehensive profit and loss account on a straight line basis. A short-term lease contract is one where the period is less than or equal to 12 months. A "low value contract" is one whose underlying asset assigned in use would have a new value of under 5 thousand euros. The impact recorded on the attached consolidated comprehensive profit and loss statements for the leases totals an income of 31,374 thousand euros (Note 26.4). This income is a result of applying the exemption introduced in IFRS 16 on 28 May 2020, which meant the Group recorded 46,195 thousand euros (Note 2.2).

Furthermore, in the lease agreements, there are no restrictions or imposed clauses and no sales transactions with subsequent leasing were carried out during the financial year.

Future cash output that the lessee is potentially exposed to, and which are not shown in the valuation of leasing liabilities, exclusively relate to payments for variable leasing.

Therefore, future gross payments estimated for the next 5 years total 391 million euros. Nevertheless, these expenses will result in higher income and produce higher profits.

The Group has not granted any options to extend and terminate, or guarantees of residual value. There does exist a lease that has not commenced, for which the Group has undertaken gross lease payments of 437 thousand euros in a period of 2 to 5 years, and 6,833 thousand euros in a period of over 5 years.

9.- GOODWILL

The balance included under this item corresponds to the net goodwill arising from the acquisition of certain companies, and breaks down as follows (thousands of euros):

	Thousands of euros	
	2020	**2019**
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	61,114	75,212
Royal Group	24,539	27,607
Boscolo Hotels (Note 6)	11,554	—
Others	3,862	3,758
Total	**101,069**	**106,577**

The movements in this heading of the consolidated balance sheet in the financial year were as follows (in thousands of euros):

Company	Goodwill at 01.01.2020	Conversion differences	Business combina-tions (Note 6)	Impairment (Note 11)	Goodwill at 31.12.2020
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	75,212	-	-	(14,098)	61,114
Royal Group	27,607	(3,068)	-	-	24,539
Boscolo Hotels	-	96	11,458	-	11,554
Others	3,758	104	-	-	3,862
Total	**106,577**	**(2,868)**	**11,458**	**(14,098)**	**101,069**

Company	Goodwill at 01.01.2019	Conversion differences	Impairment (Note 11)	Goodwill at 31.12.2019
NH Hoteles Deustchland, GmbH y NH Hoteles Austria, GmbH	77,933	—	(2,721)	75,212
Royal Group	27,607	—	-	27,607
Others	3,892	(134)	-	3,758
Total	**109,432**	**(134)**	**(2,721)**	**106,577**

Details of the cash-generating units to which such goodwill arising on consolidation has been allocated is shown below:

	Thousands of euros	
	2020	2019
Royal Group CGUs	24,539	27,607
Group CGUs (Boscolo Hotels)	11,554	—
CGU 6	13,587	15,113
CGU 21	9,929	9,929
CGU 22	685	7,711
CGU 12	6,272	7,042
CGU 5	4,325	6,107
CGU 13	5,624	5,624
CGU 2	5,023	5,023
CGUs with goodwill allocated individually < €4 M	19,531	22,421
Total	**101,069**	**106,577**

10,- OTHER INTANGIBLE ASSETS

he breakdown and movements under this heading were as follows (in thousands of euros):

	Thousands of euros				
	Usufruct Rights	Concessions, patents and trademarks	Software applications	Other rights	Total
Cost, allotted cost, revalued cost	33,976	38,322	90,212	17,039	179,549
Accumulated amortisation	(5,483)	(26,392)	(53,920)	-	(85,795)
Impairment losses	-	(7,171)	-	(2,776)	(9,947)
NET BOOK VALUE AT 01 JANUARY 2020	**28,493**	**4,759**	**36,292**	**14,263**	**83,807**
COST, ALLOTTED COST, REVALUED COST					
Inclusions	2,574	108	11,019	-	13,701
Retirements	(34)	(394)	(131)	-	(559)
Business combinations (Note 6)	50,815	-	372	-	51,187
Transfers	-	(36)	(60)	-	(96)
Exchange differences and IAS 29 impact	(3,116)	(511)	(294)	-	(3,921)
Accumulated amortisation					
Inclusions	(1,515)	(974)	(13,511)	-	(16,000)
Retirements	3	366	64	-	433
Transfers	-	331	(316)	-	15
Exchange differences and IAS 29 impact	537	142	56	-	735
IMPAIRMENT LOSSES					
Impairment losses recognised in profit and loss (Note 11)	-	(1,140)	-	(357)	(1,497)
Reversal of impairment losses recognised in profit and loss (Note 11)	-	-	-	337	337
Transfers	-	(5)	-	-	(5)
BALANCE AT 31 DECEMBER 2020	**77,757**	**2,646**	**33,491**	**14,243**	**128,137**
Cost, allotted cost, revalued cost	84,215	37,489	101,118	17,039	239,861
Accumulated amortisation	(6,458)	(26,527)	(67,627)	-	(100,612)
Impairment losses	-	(8,316)	-	(2,796)	(11,112)
NET BOOK VALUE AT 31 DECEMBER 2020	**77,757**	**2,646**	**33,491**	**14,243**	**128,137**

	Thousands of euros				
	Usufruct Rights	Concessions, patents and trademarks	Software applications	Other rights	Total
Cost, allotted cost, revalued cost	68,912	37,947	76,572	47,003	230,434
Accumulated amortisation	(30,641)	(22,722)	(43,550)	(12,387)	(109,300)
Impairment losses	—	(7,195)	—	(3,370)	(10,565)
NET BOOK VALUE AT 1 JANUARY 2019	**38,271**	**8,030**	**33,022**	**31,246**	**110,569**
COST, ALLOTTED COST, REVALUED COST					
Inclusions	737	383	13,715	—	14,835
Retirements	—	—	(70)	(3,504)	(3,574)
Transfers	(35,679)	—	(4)	(26,460)	(62,143)
Exchange differences and IAS 29 impact	6	(8)	(1)	—	(3)
Accumulated amortisation					
Inclusions	(1,198)	(1,203)	(14,394)	—	(16,795)
Retirements	—	—	61	—	61
Transfers	26,357	(2,512)	3,959	12,387	40,191
Exchange differences and IAS 29 impact	(1)	45	4	—	48
IMPAIRMENT LOSSES					
Reversal of impairment losses recognised in profit and loss (Note 11)	—	24	—	412	436
Transfers	—	—	—	182	182
BALANCE AT 31 DECEMBER 2019	**28,493**	**4,759**	**36,292**	**14,263**	**83,807**
Cost, allotted cost, revalued cost	33,976	38,322	90,212	17,039	179,549
Accumulated amortisation	(5,483)	(26,392)	(53,920)	—	(85,795)
Impairment losses	—	(7,171)	—	(2,776)	(9,947)
NET BOOK VALUE AT 31 DECEMBER 2019	**28,493**	**4,759**	**36,292**	**14,263**	**83,807**

10.1 Hotel operating rights

The most significant additions in this financial year occurred in London, as a result of opening a new hotel.

The net additions in the year in the column “Business combinations” come from the purchase of Boscolo Hotels (Note 6, Business combinations).

10.2 Software applications

The most significant additions in this financial year were a result of investments made in digitisation and improvement to the customer journey experience, and digitisation and optimisation of operating processes to gain sustainability, mobility and include customer care.

10.3 Other rights

The main movement in 2019 corresponds to the classification of various assets related to lease contracts which, at 1 January 2019, are considered as the higher value of the right-of-use assets in accordance with the application of IFRS 16 (Note 8).

11.- IMPAIRMENT

The Group evaluates the possible existence of a loss of value each year that would oblige it to reduce the carrying amounts of its assets. As a result of the crisis caused by the spread of Covid-19, impairment analysis carried out by the Group in the financial year determined that losses be recognised for impairment losses.

11.1 Key assumptions used to calculate value in use

The value in use of each CGU is determined discounting its future cash flows. These are estimated based on the result for the year and the records of at least five previous years. Given the uncertainty stemming from the current economic environment, macroeconomic information from external information sources has been analysed and with Group Management's business knowledge, different evolution and forecast possibilities have been made on the most likely basis, taking the effect of the pandemic into account.

The evolution of the key assumptions in the analysed hotels has taking the business knowledge of Group Management into account as well as the expected recovery of the sector after the Covid-19 pandemic. In this regard, the assumed projections are based on the Management's budget for 2021, which assumes a dramatic fall in revenues compared to 2019 due to the negative effect that the Covid-19 pandemic has had on tourism, one of the most affected sectors. It is estimated that the loss of business in 2020 will be recovered in the next three years, beginning in the second half of 2021 once mobility restrictions are eased as vaccination progresses and therefore consumer confidence recovers. The Group's strong positioning in the countries where it operates, the good locations of the portfolio and the high recognition of its brands are key factors in the assumed recovery period up to 2023 and 2024, when it is hoped to reach the figures of the period prior to the pandemic, which was the 2019 financial year.

There are a number of factors that are considered by the Group's Management to make the projections, which are:

- Estimate of external sources specialising in the hotel sector, along with investment banks with reference to the recovery of the hotel sector.
- Estimate of GDP (Gross Domestic Product) growth issued by the International Monetary Fund (IMF) in its report published in October of each year for the next five years.
- Knowledge of the business/asset/local situation of the local Management of each Business Unit to which each CGU belongs.
- Historical results obtained by the CGUs.
- Investments in repositioning the CGUs.

These factors are reflected in the cash flows through the following working hypotheses used to obtain the projections:

- Income from accommodation is projected as the product of percentage occupation, and average rate per room ("ADR" Average Daily Rate: is the ratio of the total income from rooms in a specific period divided by the rooms sold in that specific period) and the total rooms available per year.
- The other revenues are projected based on the average of the relationship between the revenue from accommodation and those revenues.
- Staff costs are calculated based on the average staff costs with a growth in the inflation index (CPI).
- Direct expenses are directly associated with each of the revenues and are projected on the basis of an average ratio, while undistributed expenses are projected based on the average ratio between these and direct expenses.
- For its part, tax is calculated from the tax rates applicable in each country.

The discount rates were calculated by a third party using the Weighted Average Cost of Capital (WACC) methodology: Weighted Average Cost of Capital (WACC), as follows:

$WACC=Ke*E/(E+D) + Kd*(1-T)*D/(E+D)$

Where:

Ke: Cost of Equity

Kd: Cost of Financial Debt

E: Own Funds

D: Financial Debt

T: Tax Rate

The Capital Asset Pricing Model (CAPM) is used to estimate the cost of equity (ke).

The main variables used by a third party to calculate the discount rate are as follows:

- Risk-free rate: is obtained from the standard average profitability of state bonds in each country including an adjustment for country risk and an inflation differential where appropriate.
- Market risk premium: defined as 6.5% (6.8% in 2019), based on market reports.
- Beta or systematic risk: Using a sample of listed companies whose businesses are comparable to our business, the sector's risk differential is estimated in relation to the average risk on the global market. In addition, the adjusted average financial structure of the aforementioned sample of companies was considered (63% Own Funds, 37% Debt) to calculate the re-leveraged beta coefficient, as well as the relevant tax rate in each country.
- Debt cost, estimated as an average differential over the Euribor at 12 months over 10 years, plus an adjustment for inflation and country risk in countries with a currency other than the Euro.

Below are the pre-tax discount rates of the major countries:

	Discount rate before taxes				
	Germany	Netherlands	Italy	Spain	Colombia
2020	11.2%	9.6%	12.12%	10.6%	13.6%
2019	8.8%	7.4%	12.7%	9.3%	16.9%

The evolution of the key assumptions in hotels with indications of impairment at 31 December 2020 in the major countries in euros was as follows:

	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Germany		Netherlands		Italy		Spain		Colombia	
Post-tax WACC	7.54%	5.47%	7.79%	6.01%	8.12%	8.21%	8.14%	6.88%	10.57%	12.86%
Growth rate (g)	1.97%	2.13%	1.70%	2.01%	1.35%	1.50%	1.69%	1.77%	2.91%	3.04%
Average ADR (years of projection)	100.8	107.7	59.5	61.5	133.5	136.7	92.5	97.4	62.1	70.0
Average Occupancy Rate (years of projection)	65.0%	74.5%	54.3%	56.6%	65.1%	71.0%	66.2%	75.9%	61.5%	67.5%

The after-tax discount rates used by the Group for these purposes range in Europe from 7.3% to 11.5% (5.5% and 8.2% in 2019) and in Latin America from 10.6% to 16.2% (9.4% and 14.6% in 2019) without taking into account Argentina, whose after-tax discount rate has been calculated taking into account its hyperinflationary economic situation and varies between 44.6% in 2021 and 35.6% in 2025, based on the estimate of inflation. In this regard, the cash flows resulting from the impairment tests were also calculated after tax. In addition, the book value to which the value-in-use is compared does not include any deferred tax liabilities which could be associated with the assets.

Using a post-tax discount rate and post-tax cash flows is consistent with paragraph 51 of IAS 36, which states that "estimated future cash flows will reflect assumptions that are consistent with the manner of determining the discount rate". In addition, the result of the post-tax flows updated at a post-tax discount rate would obtain uniform results with respect to the impairment test if a pre-tax rate were used and, therefore, the impairment and reversion accounting records would be uniform.

11.2 Sensitivity analysis

Furthermore, the Group has carried out a sensitivity analysis for each of the CGUs, and for the groups of CGUs where goodwill is allotted.

For each scenario, each hypothesis has been considered individually, recording the impact on impairment for each of them. Scenario 1 is a negative one where the discount rate is raised 100 b.p. above the rate used in the test and a growth rate lower by 100 b.p., i.e. with minimum growth, and falls in occupancy and ADR of 1% which would lead to additional impairment to that registered in 2020.

In scenario 2, it is a positive scenario where the discount rate is sensitized 100 bp below the rate used in the test, a growth rate of 100 bp and with occupancy increases of 100 bp and an average ADR of 1%, which would lead to having registered a lower deterioration than that registered in 2020.

A sensitivity analysis of the results of the impairment analysis given variations in the following scenarios, including the impacts that the amendment of each scenario would have without affecting the rest, for the main goodwill, is set out below:

NH HOTELES DEUTSCHLAND, GMBH Y NH HOTELES AUSTRIA, GMBH

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
Post-tax WACC	7.54% - 7.85%	8.54% - 8.85%	(5,008)	6.54% - 6.85%	3,075
Growth rate (g)	1.97% - 2.00%	0.97% - 1.00%	(3,896)	2.97% - 3.00%	1,571
Average ADR	76.1 %	75.1 %	(3,971)	77.1 %	1,896
Average Occupancy Rate	127.30	126.0	(3,743)	128.6	1,295

ROYAL GROUP

	Impairment test	Average values Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
Post-tax WACC	10.57% - 16.17%	11.57% - 17.17%	(1,186)	9.57% - 15.17%	-
Growth rate (g)	1.00% - 3.00%	0.00% - 2.00%	-	2.00% - 4.00%	-
Average ADR	61.0 %	60.0 %	-	62.0 %	-
Average Occupancy Rate	62.00	61.4	-	62.6	-

In addition, a sensitivity analysis of the results of the impairment analysis of the most significant CGUs that have associated property, plant and equipment, intangible assets and rights of use is set out below:

TANGIBLE AND INTANGIBLE ASSETS AND RIGHT OF USE SENSITIVITY ANALYSIS

	Impairment test	Average values Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
Post-tax WACC	7.5% - 36.3%	8.5% - 37.3%	(23,111)	6.5% - 35.3%	15,867
Growth rate (g)	1.0% - 23.4%	0.0% - 22.4%	(21,338)	2.0% - 24.4%	12,098
Average ADR	68.9 %	67.9 %	(8,644)	69.9 %	5,485
Average Occupancy Rate	128.3	127.0	(5,558)	129.6	3,906

11.3 Impairment losses

If the recoverable amount of an asset is estimated to be lower than its carrying amount, the latter is reduced to the recoverable amount by recognising the corresponding reduction through the consolidated comprehensive profit and loss statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the limit of the original value at which such asset was recognised before the loss of value was recognised.

The Group recognised an impairment loss of 76,258 thousand euros (4.889 thousand euros in 2019), as it is summarised below:

- Property, plant and equipment: impairment amounting to 61,250 thousand euros was recognised in 2020 for certain tangible assets; this impairment mainly corresponds to real estate and is a result of the worsening of future expectations of cash flows for different reasons, including the opening of competitors' hotels or the loss of an important customer and the worsening of the outlook due to the Covid-19 situation. (4,289 thousand euros in 2019). On the other hand, there was a reversal of 4,523 thousand euros resulting from the improvement in expectations, recorded under the heading "Gains/(Net losses) from asset impairment" on the consolidated comprehensive income statement for 2020 (9,288 thousand euros in 2019).
- Right of use: it has been registered an impairment of the Right of use amounting to 4,333 thousand euros (reversal of 2,175 thousand euros 2020) (Note 8).
- Goodwill: it has been registered an impairment amounting to 14,098 of the goodwill of NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH (2,721 thousand euros in 2019). This impairment is derived from the worsening due to openings of competitors and deterioration of the business prospects due to Covid-19 situation.
- Other intangible assets: it has been registered under the heading "Gains/(Net losses) from asset impairment" on the consolidated comprehensive income statement for 2020, impairment losses amounting to 1,497 thousand euros and reversal of impairment amounting to 337 thousand euros (436 thousand euros in 2019).
- Real Estate investments: it has been registered a reversal of impairment of real estate investments amounting to 60 thousand euros.

The breakdown of impairment to tangible assets by country is as follows (in thousands of euros):

	housands of euros	
	2020	**2019**
Spain	6,600	5,760
Italy	68,639	21,745
Germany	7,199	1,956
Benelux	10,057	9,306
Latin America	2,526	1,740
Others	—	167
Total impairment	**95,021**	**40,674**

The recoverable amount of the CGUs subject to impairment or reversal (not the entire portfolio of the Group) is as follows:

	2020
Million euros	**Recoverable amount**
CGU 25	39.80
CGU 26	34
CGU 4	28.5
CGU 27	25.8
CGU 28	21.3
CGU 29	20.8
CGU 30	17.6
CGU 31	17
CGU 32	13
CGU 33	11.3
Top Ten	**229.1**
Spain	3.4
Italy	36.6
Benelux	22
Germany	2.6
LatAm	15.3
Other Countries	3
Other CGUs	**82.9**
Total	**312**

12.- INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The associated companies in the year and the amount recognised on the books (in thousands of euros) are listed below:

Company	Activity centre	Share percentage	Relationship nature	Book value	
				2020	2019
Mil Novecientos Doce, S.A. de C.V.	Mexico City	25%	Associate	1,900	2,350
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico City	10%	Associate	1,413	1,555
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	27%	Associate	1,100	1,723
Hotelera del Mar, S.A.	Mar de Plata	20%	Associate	702	960
Borokay Beach, S.L.	Madrid	50%	Associate	929	929
Kensington Hotel Value Added I, Ltd	London	30%	Associate	–	–
Sotocaribe, S.L. (Note 16)	Madrid	36%	Associate	35,729	–
Total				**41,773**	**7,517**

The impact recorded on the consolidated comprehensive profit and loss statement for the financial year due to consolidation of these holdings was losses of 7,468 thousand euros (22 thousand euros in 2019), recorded under the heading “Gain/(Loss) from entities valued using the equity method”. In addition, these holdings were reduced in 2020 by 2,575 thousand euros due to the effect of the exchange differences (they increased by 714 thousand euros in 2019) and increased by other contributions of 108 thousand euros.

Specifically, a loss of 6,926 thousand euros was recorded due to the integration of the results of Sotocaribe, S.L. previously classified as available for sale (Note 16).

On the other hand, as a result of analysis of the fair value of these holdings, a reversal for impairment was recorded on the investment in Sotocaribe, S.L. for 6,926 thousand euros under the heading “Impairment on financial investments”.

The Group’s policy on holdings in associated companies consists of ceasing to book losses in these companies if the associated company’s consolidated losses attributable to the Group are equivalent to or exceed the cost of its holding in them, provided there are no additional contingencies or guarantees connected with existing losses. The holding in Kensington Hotel Value Added I, Ltd is in this situation.

The balance sheet of these key companies accounted for using the equity method at year-end is as follows (in thousands of euros):

Company	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Net Profit (Loss)
Mil Novecientos Doce, S.A. de C.V.	7,484	–	–	–	7,484	(583)
Consorcio Grupo Hotelero T2, S.A. de C.V.	14,121	–	–	–	14,121	8
Inmobiliaria 3 Poniente, S.A. de C.V.	6,118	48	2,104	–	4,062	(1,464)
Hotelera del Mar, S.A.	694	3,462	480	750	2,926	(116)
Borokay Beach, S.L.	965	1,104	96	1,973	–	(1)
Sotocaribe, S.L.	8,112	245,674	27,881	50,347	175,558	(1,548)

13.- NON-CURRENT FINANCIAL INVESTMENTS

13.1 Financial assets at fair value with change in profit/loss

This heading of the consolidated balance sheet comprised the following equity interests:

	Thousand euros	
	2020	2019
NH Panamá	3,767	3,767
Other investments	408	498
Provisions	(2,190)	(2,190)
Total	**1,985**	**2,075**

In regard to the fair value of financial assets, it does not differ significantly from its cost.

In December 2019, the Group sold its 9.87% shareholding in Varallo Comercial, S.A. and its 13.6% shareholding in Adquisiciones e Inversiones Europeo, S.L. The result of the operation was a consolidated gain of 8,525 thousand euros recorded under "Gains on financial and other operations". At 31 December 2019, the Group had an account receivable under "Other non-trade debtors" for 17,017 thousand euros related to the sale, which was wholly received on 2 January 2020.

13.2 Other financial assets at amortised cost

The breakdown of this heading is as follows:

	Thousand euros	
	2020	2019
Subordinated loans to companies owning hotels operated by the Group through leases	20,793	20,505
Loans to associates (Nota 27)	140	143
Long-term deposits and sureties	12,835	12,703
Others	1,896	1,976
Total	**35,664**	**35,327**

The "Subordinated loans to companies owning hotels operated by the Group through leases" item includes a series of loans granted by the Group to companies which own hotels in countries such as Germany, Austria, the Netherlands, Italy and Spain, and which are operated by the Group under a leasing agreement.

The main features of these agreements are as follows:

- Hotel rentals are not subject to evolution of the inflation rate or to that of any other index.
- The aforementioned subordinated loans accrue interest at a fixed rate of 3% per annum.
- Lease agreements establish a purchase right on properties subject to agreements that, as a general rule, may be executed in the fifth, tenth and fifteenth year from the entry into force of the agreement.

The model used for these lease agreements has been analysed and independent experts consider them to be operating leases. These hotels are covered by the scope of IFRS 16 and, therefore, from the transition date involve recording a right of use asset and a leasing liability.

14.- TRADE RECEIVABLES

This item reflects different accounts receivable from the Group's operations. Its detail is as follows:

	Thousand euros	
	2020	2019
Trade receivables for services provided	38,962	113,596
Provision for bad debts	(9,025)	(7,100)
Total	**29,937**	**106,496**

As a general rule, these receivables do not accrue interest and are due at less than 90 days with no restrictions on how they may be availed.

Movements in the provision for insolvencies during the year were as follows:

	Thousand euros	
	2020	2019
Balance at 1 January	7,100	8,505
Conversion differences	(74)	5
Additions	5,889	3,665
Applications	(3,890)	(5,075)
Balance at 31 December	**9,025**	**7,100**

The analysis of the ageing of financial assets in arrears but not considered impaired in the financial year is as follows:

	Thousand euros	
	2020	2019
Less than 30 days	5,569	24,622
From 31 to 60 days	3,029	6,596
More than 60 days	7,940	10,840
Total	**16,538**	**42,058**

In this regard, the provisions recorded take into account all the expected losses on the balances of trade receivables on the balance sheet.

15.- CASH AND CASH EQUIVALENTS

"Cash and Cash Equivalents" largely includes the Company's cash position and bank deposits maturing in three months or less. These assets are recognised at their fair value.

The Group's liquidity position at 31 December 2020 is based on the following points:

- The group had cash and cash equivalents amounting to 320,851 thousand euros.
- Available undrawn credit facilities of 25,000 thousand euros (Note 18).

There are no restrictions on the availability of cash, except for 2,057 thousand euros reserved in accordance with a firm commitment with the co-owners of Hoteles Royal (3,192 thousand euros in 2019) for future investments in the hotels.

As at 31 December 2020, there were no restrictions on the receipt of dividends distributed by the companies in which the Parent Company holds a direct or indirect minority shareholding other than the legally established regulations on the distribution of dividends.

As a result of the enactment of Royal Decree 1558/2012 of 15 November, of Article 42 bis of Royal Decree 1065/2007 of 27 July, approving the General Regulations on tax management, inspection and procedures, and implementing the common rules of the procedures for applying taxes, which establishes certain reporting obligations with regard to overseas assets and rights, among others, it is disclosed that some members of the NH Hotel Group S.A. Board of Directors have the right, as representatives or authorised officials, to dispose of bank accounts located abroad, which are in the name of Group companies. The reason certain Board members have the right to dispose of overseas bank accounts is that they are directors or board members of said subsidiaries.

NH Hotel Group S.A. holds other accounting documents, namely the consolidated annual accounts, from which sufficient data can be extracted in relation to the aforementioned accounts.

16.- ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with IFRS 5, Non-current assets classified as held for sale and discontinued operations (Note 4.7), the group has classified non-strategic assets under this heading which are undergoing divestment with committed sales plans.

The assets classified as held for sale, after deducting their liabilities, were measured at the lower of their carrying amount and the expected sales price minus costs.

Specifically, at 31 December 2019, the Group had classified the holdings in the companies Sotocaribe, S.L. and Capredo Investments, GmbH as discontinued operations. Given the uncertainty associated with these sales processes, the Group has decided to continue consolidating these holdings. Sotocaribe, S.L. was consolidated by the equity method (Note 12), while Capredo Investments, GmbH was consolidated by the global method.

On the other hand, at 30 June 2020, the Group recorded the property company "Onroerend Goed Beheer Maatschappij Maas Best, B.V.", owner of the NH Best hotel in the Netherlands, as available for sale. The sale was concluded on 1 July 2020.

Consolidated balance sheets. Headings of Non-current assets and liabilities classified as held for sale:

A movement by balance sheet heading of the assets and liabilities presented under the corresponding Held for Sale headings is shown below (in thousands of euros):

	1.1.2020	Net Variation	31.12.2020
Property, plant and equipment (Note 7)	10,495	(10,495)	-
Financial assets	37,265	(37,265)	-
Investments accounted for using the equity method (Note 12)	37,265	(37,265)	-
Cash	17	(17)	-
Other current assets	34	(34)	-
Non-current assets classified as held for sale	**47,811**	**(47,811)**	**-**
Other non-current liabilities	564	(564)	-
Trade payables	439	(439)	-
Other current liabilities	1,581	(1,581)	-
Liabilities associated with assets classified as held for sale	**2,584**	**(2,584)**	**-**

	1.1.2019	Net Variation	Impairment	31.12.2019
Property, plant and equipment	22,594	(12,099)	-	10,495
Financial assets	33,322	7,424	(3,481)	37,265
Investments accounted for using the equity method	33,322	7,424	(3,481)	37,265
Cash	9	8	-	17
Other current assets	49	(15)	-	34
Non-current assets classified as held for sale	**55,974**	**(4,682)**	**(3,481)**	**47,811**
Other non-current liabilities	528	36	-	564
Trade payables	363	76	-	439
Other current liabilities	1,565	16	-	1,581
Liabilities associated with assets classified as held for sale	**2,456**	**128**	**-**	**2,584**

As a result of the fair value analysis of the holding in the consolidated company by the equity method, in 2019 an impairment was recorded of 3,481 thousand euros under the "Impairment on financial investments" heading on the consolidated comprehensive profit and loss statement. For the same reason the account receivable with the company was impaired at the end of the financial year (Note 27).

Consolidated comprehensive profit and loss statements

The profit and loss of the discontinued operations shown in the accompanying consolidated comprehensive profit and loss statement is broken down by company as follows (in thousands of euros):

	Onroerend Goed Beheer Maatschappij Maas Best, B.V.	Capredo Investments, GmbH	Total
2020			
Profit (loss) before tax	(66)	-	(66)
Profit (loss) for the year from discontinued operations net of tax	(66)	-	(66)
2019			
Profit (loss) before tax	-	50	50
Profit (loss) for the year from discontinued operations net of tax	-	50	50

Consolidated cash flow statements

The consolidated cash flow statements for the fully consolidated companies in 2019 are detailed below (in thousands of euros):

2019	Capredo Investments, GmbH
Total net cash flow from operating activities I	8
Total net cash flow from operating activities II	-
Total net cash flow from operating activities III	-
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	-
Effect of variations in the scope of consolidation (IV)	-
Cash and cash equivalents at the start of the financial year	9
Cash and cash equivalents at end of year	17

17.- EQUITY

17.1 Subscribed share capital

NH Hotel Group, S.A. share capital at 31 December 2020 comprised 392,180,243 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the most recent notifications received by the Parent Company and the communications submitted to the Spanish National Securities Market Commission (CNMV) prior to the end of each reporting period, the main shareholdings at 31 December were as follows:

	31/12/2020	31/12/2019
Minor International Public Company Limited (“MINT”)	94.13%	94.13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital of NH Hotel Group, S.A.

17.2 Dividends

As mentioned in note 3, the Group did not distribute dividends in 2020.

On the other hand, the General Shareholders’ Meeting on 13 May 2019 approved, among other items, the proposed distribution of dividends. It therefore decided to draw from the profits of the year ended 31 December 2018 and distribute a dividend of 15 euro cents gross per share in the parent company NH Hotel Group, S.A. with the right to receive it, outstanding on the date of the payment; all according to the following schedule:

- i Last date of trading with dividend: 11 June 2019
- ii Ex-dividend date: 12 June 2019
- iii Registration date: 13 June 2019
- iv Payment date: 14 June 2019 for 53 million euros and 3 July for 5.2 million euros.

This dividend was distributed through the companies with shares in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR), with powers granted for this purpose to the Board of Directors, with express powers of substitution, so that after checking for compliance with obligations under the finance contracts of NH HOTEL GROUP, S.A., the Board will designate an entity to act as paying agent and will perform the other necessary or advisable actions for a satisfactory distribution. The total amount distributed as dividends was 58.771 million euros.

17.3 Reserves of the Parent Company

i) Legal reserve

In accordance with the Consolidated Text of the Corporate Enterprises Act, 10% of the net profit for each year must be allocated to the legal reserve until it reaches at least 20% of share capital. The legal reserve may be used to increase capital provided the remaining balance does not fall below 10% of the increased capital amount. With the exception of the aforementioned purpose, and when it does not exceed 20% of share capital, this reserve may be used only to offset losses, provided no other reserves are available for this purpose.

At 31 December 2020 and 2019, the parent company's legal reserve was not fully constituted.

ii) Share premium

The Consolidated Text of the Corporate Enterprises Act expressly allows the balance of this reserve to be used to increase capital and imposes no restrictions on its availability.

17.4 Treasury shares

At 31 December 2020, the Group had 103,947 own shares, compared to 374,464 own shares at 31 December 2019. The reduction in treasury shares over the period can be explained by the following movement:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 31 December 2020 is 103,947 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2019, the number of shares assigned to the liquidity contract was 83,176 shares. The negative effect recorded in reserves for operations carried out in the 2020 financial year was 245 thousand euros.
- In the 2020 financial year, the first cycle of the second long-term incentive plan was settled (Note 25). For the settlement of this second cycle a purchase of 110,350 treasury shares was made. The second cycle was settled by the delivery of 401,638 shares. The total impact recorded in equity due to these movements was 1,525 thousand euros.

17.5 Non-controlling interests

The movements under this heading during the financial year are summarised below:

	Thousand euros	
	2020	**2019**
Opening balance	**57,239**	**52,351**
Application of IAS 29	(1,383)	777
Application of IFRS 16	—	(1,098)
Comprehensive profit (loss) attributable to non-controlling interests	(5,371)	4,192
Dividends paid to non-controlling interests	(1,179)	(2,720)
Other movements	276	3,737
Closing balance	**49,582**	**57,239**

The 2020 "Dividends paid to non-controlling interests" item reflects the dividends paid out to the following companies: NH Marín, S.A. amounting to 1,150 thousand euros and NH Las Palmas, S.A. amounting to 29 thousand euros.

18.- DEBT IN RESPECT OF BOND ISSUES AND BANK BORROWINGS

The balances of the "Bonds and other negotiable securities" and "Debts with credit institutions" items for the financial year were as follows:

	Thousand euros			
	2020		2019	
	Long-term	Short-term	Long-term	Short-term
Guaranteed senior bonds maturing in 2023	356,850	-	356,850	-
Borrowing costs	-	3,308	-	3,308
Arrangement expenses	(4,885)	(1,751)	(6,882)	(1,910)
Effect of renegotiation of debt IFRS 9	(2,903)	(1,414)	(4,316)	(1,257)
Debt instruments and other marketable securities	**349,062**	**143**	**345,652**	**141**
Guaranteed syndicated credit line	236,000	-	-	-
Unsecured loans	320,742	9,177	42,445	806
Subordinated loans	40,000	-	40,000	-
Mortgages	23,854	2,398	25,300	2,544
Credit lines	5,000	12,000	-	-
Arrangement expenses	(2,585)	(1,696)	(1,050)	(786)
Borrowing costs	-	4,048	-	547
Bank borrowings	**623,011**	**25,927**	**106,695**	**3,111**
Total	**972,073**	**26,070**	**452,347**	**3,252**

The effect of debt movement on the Group's cash flows as reflected in the cash flow statement is affected by non-cash movements generated by exchange rate differences as the group has debts in currencies other than the euro.

Secured senior bonds maturing in 2023

On 23 September 2016, the Group placed guaranteed convertible senior bonds for a nominal value of 285,000 thousand euros, maturing in 2023. The nominal yearly interest rate for said issuance of notes is 3.75%. On 4 April 2017, the Group issued an extension of guaranteed senior bonds maturing in 2023 for a nominal amount of 115,000 thousand euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 31 December 2020 is 356,850 thousand euros ("Depreciation and Amortisation 2018" heading).

Depreciation and Amortisation 2018

As a result of the change of control in the 2018 financial year and as established in the voluntary repurchase and early redemption offer of the senior secured bond issue maturing in 2023 (the "Bonds") due to the change of control, requests were received for the repurchase and redemption of bonds for a nominal amount of 3,150 thousand euros.

The bond repurchase offer was settled on 12 November 2018, the date on which the Group paid an aggregate amount of 3,195 thousand euros to the bondholders, who accepted the offer as a whole:

- Nominal paid in advance: 3,150 thousand euros
- Unpaid accrued interest: 13.5 thousand euros
- Amount of the repurchase premium: 31.5 thousand euros

On 14 December 2018, the Group carried out the partial voluntary early redemption, for a nominal amount of 40,000 thousand euros (representing 10% of its original total amount), of the issue of senior secured bonds maturing in 2023 (the "Bonds"), by means of a linear pro rata reduction of the nominal value of all the bonds in circulation. The Bonds were redeemed early through the payment of approximately 103.760% of the nominal value of the Bonds being redeemed, including:

- Nominal paid in advance: 40,000 thousand euros
- Unpaid accrued interest: 304.2 thousand euros
- Amount of the repurchase premium: 1,200 thousand euros

The Group paid the partial redemptions from available cash.

Secured credit line

On 22 September 2016, the Parent Company and NH Finance, S.A. entered into a revolving business credit with credit institutions amounting to 250,000 thousand euros ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior notes maturing in 2019. As a consequence of the refinancing and early payments of the guaranteed senior notes maturing in 2019 which took place in 2017, the maturity date of said financing was extended to 29 September 2021.

On 16 October 2020, the Parent Company and NH Finance, S.A. agreed the extension of the maturity of the finance to 29 March 2023, with a limit of 236,000 euros.

At 31 December 2020, this financing was fully drawn down.

Unsecured loans

Syndicated loan with ICO guarantee maturing in 2023
On 29 April 2020, the Group entered into a syndicated loan for 250,000 thousand euros over 3 years, with no repayments until maturity.

The contract, reached within the legal framework established by the Spanish government to mitigate the economic impact caused by Covid-19, was granted a guarantee by the Spanish state.

At 31 December 2020, this financing was fully drawn down.

Other unsecured loans
In addition to the 250,000 ICO backed syndicated loan, as a result of the crisis caused by Covid-19, throughout 2020 the parent company and its subsidiaries took advantage of government aid in the various countries to take out several loans:

- In May 2020 the parent company signed a bilateral loan for 10,000 thousand euros over 2 years, within the legal framework provided by the Spanish state to mitigate the economic impact of Covid-19 and, in this way, receiving the ICO guarantee.
- In July 2020 the parent company signed a bilateral loan for 7,500 thousand euros over 3 years, within the legal framework provided by the Spanish state to mitigate the economic impact of Covid-19 and, in this way, receiving the ICO guarantee.
- In October 2020 the Italian subsidiary NH Italia Spa signed a bilateral loan for 15,000 thousand euros over 6 years, within the legal framework provided by the Italian state to mitigate the economic impact of Covid-19 and, in this way, receiving the State guarantee (SEPE).
- Furthermore, various bilateral loans totalling 6,400 thousand euros were signed between June and September 2020 in different regions (Portugal, Argentina, Chile, Colombia and the USA) to mitigate the economic impact of the pandemic.

Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn at 31 December 2020 and with a single maturity and repayment in 2037, are included in this item. The interest rate of these loans is the 3-month Euribor plus a spread.

Mortgages

The detail of the mortgage loans and credits is as follows (in thousands of euros):

	Mortgaged asset	Fixed rate	Variable interest	Total	Net book value of the mortgaged asset
Spain	Wilan Ander	3,942	-	3,942	5,160
	Wilan Huel	2,824	-	2,824	5,905
	NH Palacio de la Merced	-	2,917	2,917	15,604
Total Spain		**6,766**	**2,917**	**9,683**	**26,669**
Italy	NH Villa San Mauro	-	448	448	(50)
Chile	NH Plaza de Santiago	16,121	-	16,121	16,597
Total Other		**16,121**	**448**	**16,569**	**16,547**
Total		**22,887**	**3,365**	**26,252**	**43,216**

Credit lines

At 31 December 2020, the balances under this item include the amount drawn down from credit facilities. The joint limit of these loan agreements and credit facilities at 31 December 2020 amounted to 42,000 thousand euros, of which 17,000 thousand euros had been drawn down at that date.

Obligations required in the senior notes contracts maturing in 2023, the syndicated credit line and the syndicated loan with ICO guarantee maturing in 2023

The senior notes maturing in 2023 and the syndicated credit line require the fulfilment of a series of obligations and limitations of essentially homogeneous content as regards the assumption of additional borrowing or provision of guarantees in favour of third parties, the granting of real guarantees on assets, the sale of assets, investments that are permitted, restricted payments (including the distribution of dividends to shareholders), transactions between related parties, corporate transactions and disclosure obligations. These obligations are detailed in the issue prospectus for the aforementioned notes, as well as in the credit agreement of the syndicated credit line.

The syndicated credit line requires compliance with financial ratios; in particular (i) an interest coverage ratio of > 2.00x, (ii) a net indebtedness ratio of < 5.50x, and (iii) a Loan to Value ("LTV") ratio which, as a result of the redemption of the 2019 senior secured obligations due in 2017, depends on the level of NH's indebtedness at any given time as indicated below:

- Net debt-to-income ratio > 4.00x: LTV ratio = 70%
- Net debt-to-income ratios ≤ 4.00x: LTV ratio = 85%
- Net debt-to-income ratio ≤ 3.50x: LTV ratio = 100%

The maximum permitted LTV at 31 December 2020 was 70%.

Moreover, the syndicated loan with the ICO guarantee maturing in 2023 requires compliance with financial ratios; in particular, (i) an interest coverage ratio of > 2.00x, (ii) a net indebtedness ratio of < 5.50x

In addition to the waiver obtained in June 2020 for compliance with the financial covenants included in the syndicated credit line for the months of June and December 2020, unanimous approval from the loan institutions was obtained to extend the waiver until June 2021. This waiver until June 2021 also extends to the syndicated loan with the ICO guarantee maturing in 2023.

Package of guaranteed senior notes maturing in 2023 and syndicated credit line

The guaranteed senior notes maturing in 2023 and syndicated credit line (fully drawn down at 31 December 2020) share the following guarantees: (i) pledge of shares: 100% of the share capital of (A) Diegem, , (B) Immo Hotel Brugge NV, (C) Immo Hotel Diegem NV, (D) Immo Hotel Mechelen NV, (E) Immo Hotel Stephanie NV,(F) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V. and (G) NH Italia, S.p.A. (ii) first-tier mortgage guarantee on the following hotels located in the Netherlands: NH Conference Centre Koningshof, owned by Koningshof, B.V.; NH Conference Centre Leeuwenhorst, owned by Leeuwenhorst Congres Center, B.V.; NH Zoetermeer, owned by Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.; NH Conference Centre Sparrenhorst, owned by Sparrenhorst, B.V.; NH Capelle, owned by Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.; and NH Naarden, owned by Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V. and the joint guarantee on first demand of the main operating companies in the group wholly owned by the Parent Company.

The net book value of the assets granted as mortgage security against the syndicated credit line of 236,000 thousand euros (drawn down at 31 December 2020) and guaranteed senior notes in the amount of 356,850 thousand euros, maturing in 2023, can be broken down as follows (in thousands of euros):

	Mortgaged asset	Net book value of the mortgaged asset
	NH Conference Centre Leeuwenhorst	58,049
	NH Conference Centre Koningshof	41,469
	NH Conference Centre Sparrenhorst	8,200
	NH Zoetermeer	7,350
	NH Naarden	9,700
	NH Capelle	6,164
Total		**130,932**
Net value of assets assigned as mortgage collateral		130,932
Value of guaranteed debt		**592,850**
Fixed interest		356,850
Variable interest		236,000

Limitation on the distribution of Dividends

The guaranteed senior notes maturing in 2023, the syndicated credit line and the syndicated loan with the ICO guarantee maturing in 2023 described above contain clauses limiting the distribution of dividends.

In the case of the senior notes maturing in 2023, the distribution of dividends is generally permitted provided that (a) the interest coverage ratio is > 2.0x and (b) the sum of restricted payments (including dividends and repayment of subordinated debt) made since 8 November 2013 is less than the sum of, amongst other items, (I) 50% of NH's consolidated net income (even though in the calculation of net income,100% of consolidated net losses must be deducted) from 1 July 2013 to the date of the last quarterly accounts available (this is what is known as the CNI Builder) and, (ii) 100% of the net contributions to NH's capital from 8 November 2013.

Additionally, as an alternative and without having to be in compliance with the previous condition: (i) in the case of bonds maturing in 2023, NH may distribute dividends provided that the leverage ratio (gross debt/EBITDA) does not exceed 4.5x.

Finally, and also alternatively and without having to be concurrent with the previous ones, the notes maturing in 2023 establish a franchise to be able to make restricted payments (including dividends) without needing to comply with any specific requirement, for a total aggregate amount of 25,000,000 euros as of November 2013.

In the case of the syndicated credit line, and as a result of the extension of its maturity date until March 2023, as agreed in October 2020, distribution of dividends in the 2021 financial year is not permitted.

From 2022 onwards, according to the syndicated credit line and the loan with the ICO guarantee maturing in 2023, the distribution of a percentage of the NH Group's consolidated net profit from the previous year is allowed, provided that there has been no breach of the financing agreement and the Net Financial Debt (through the Dividend payment) / EBITDA Ratio is less than 4.0x.

The maximum percentage of consolidated net profit to distribute will depend on the Net Financial Debt (through the Dividend payment) /EBITDA Ratio according to the following breakdown:

- Net Financial Debt /EBITDA ≤ 4.0x: Percentage of consolidated net profit: 75%
- Net Financial Debt /EBITDA ≤ 3.5x: Percentage of consolidated net profit: 100%
- Net Financial Debt /EBITDA ≤ 3.0x: Percentage of consolidated net profit: unlimited

All of these metrics are calculated using consolidated data.

At 31 December of the 2020 financial year, the requirements for distribution of dividends charged against that financial year were not met.

Detail of current and non-current payables

The detail, by maturity, of the items included under "Non-Current and Current Payables" is as follows (in thousands of euros):

At 31/12/2020 Figures in millions of Euros	Limit	Available	Disposed	Maturity timetable 2020	2021	2022	2023	2024	2025	Remainder
Mortgages	26,252	-	26,252	-	2,398	2,002	2,072	5,985	1,308	12,485
Fixed rate	22,887	-	22,887	-	1,652	1,401	1,462	5,365	679	12,328
Variable interest	3,365	-	3,365	-	746	602	611	620	629	157
Subordinated loans	40,000	-	40,000	-	-	-	-	-	-	40,000
Variable interest	40,000	-	40,000	-	-	-	-	-	-	40,000
Guaranteed senior notes mat. in 2023	356,850	-	356,850	-	-	-	356,850	-	-	-
Fixed rate	356,850	-	356,850	-	-	-	356,850	-	-	-
Unsecured loans	329,919	-	329,919	-	9,177	11,572	297,657	4,284	4,194	3,035
Fixed rate	8,716	-	8,716	-	2,074	4,080	2,562	-	-	-
Variable interest	321,203	-	321,203	-	7,103	7,492	295,095	4,284	4,194	3,035
Secured credit line	236,000	-	236,000	-	-	-	236,000	-	-	-
Variable interest	236,000	-	236,000	-	-	-	236,000	-	-	-
Credit lines	42,000	25,000	17,000	-	12,000	-	3,000	-	2,000	-
Variable interest	42,000	25,000	17,000	-	12,000	-	3,000	-	2,000	-
Borrowing at 31/12/2020	**1,031,021**	**25,000**	**1,006,021**	**-**	**23,575**	**13,574**	**895,579**	**10,269**	**7,502**	**55,520**
Arrangement expenses	(10,917)	-	(10,917)	-	(3,447)	(4,126)	(2,958)	(30)	(30)	(326)
IFRS 9	(4,317)	-	(4,317)	-	(1,414)	(1,588)	(1,315)	-	-	-
Borrowing costs	7,356	-	7,356	-	7,356	-	-	-	-	-
Adjusted total debt 31/12/2020	**1,023,143**	**25,000**	**998,143**	**-**	**26,070**	**7,860**	**891,306**	**10,239**	**7,472**	**55,194**
Adjusted total debt 31/12/2019	**761,694**	**306,095**	**455,599**	**3,252**	**(1,666)**	**(1,816)**	**401,420**	**1,259**	**826**	**52,324**

The detail for maturities of the debt for operating leases without discounting is as follows (in thousands of euros):

	Total liabilities	Maturity timetable 2020	2021	2022	2023	2024	2025	2026	Reminder
Gross lease payments 31/12/2020	3,001,150	-	261,034	248,745	237,466	225,081	209,655	196,174	1,622,995
Gross lease payments 31/12/2019	2,998,501	259,006	247,223	227,611	215,623	206,669	196,727	178,939	1,466,703

Net Debt

The detail of net debt at 31 December is as follows (in thousands of euros):

NET DEBT	2020	2019
Cash and cash equivalents	320,851	289,345
Financial debt (Long and short term)	(998,143)	(455,599)
Leasing liabilities (Note 8)	(2,059,739)	(2,067,369)
Net Debt	**(2,737,031)**	**(2,233,623)**
Cash and liquid investments	**320,851**	**289,345**
Gross debt – fixed interest rates	(2,448,192)	(2,436,698)
Gross debt – variable interest rates	(609,690)	(86,270)

19.- TAX NOTE

Tax consolidation scheme

The Group operates in many countries and is therefore subject to the regulations of different tax jurisdictions regarding taxation and corporate income tax.

NH Hotel Group, S.A. and another 18 companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2020 tax period are subject to the tax consolidation scheme governed by Title VII, Chapter VI of Law 27/2014 on Corporate Income Tax.

The companies belonging to the tax group have signed an agreement to share the tax burden. Hence, the Parent Company settles any credits and debts which arise with subsidiary companies due to the negative and positive tax bases these contribute to the tax group.

The companies that make up the tax consolidation group are the following:

NH Hotel Group, S.A.
Latinoamericana de Gestión Hotelera, S.L.
NH Central Reservation Office, S.L.
NH Hoteles España, S.A.
NH Hotel Ciutat De Reus, S.A.
Gran Círculo de Madrid, S.A.
Iberinterbrokers, S.L.
Wilan Ander, S.L.
Palacio de la Merced, S.A.
NH Cash Link, S.L.U.

NH Europa, S.L.
Atardecer Caribeño, S.L.
Hoteles Hesperia, S.A.
Nuevos Espacios Hoteleros, S.A.
Coperama Holding, S.L.
Coperama Spain, S.L.
NH Las Palmas, S.A.
NH Lagasca, S.A.
Wilan Huel S.L.

Corporation tax is calculated on the financial or accounting profit or loss resulting from the application of generally accepted accounted standards in each country, and does not necessarily coincide with the tax result, this being construed as the tax base.

In 2020, Spanish companies pay taxes at the general tax rate of 25% irrespective of whether they apply the consolidated or separate taxation schemes. The foreign companies are subject to the prevailing tax rate in the countries where they are domiciled. In addition, taxes are recognised in some countries at the estimated minimum profit on a complementary basis to Corporation Tax.

The prevailing corporation tax rates applicable to Group companies in the different jurisdictions where the Group has significant operations are as follows:

Country	Nominal tax rate
Argentina	25%
Austria	25%
Belgium	25%
Brazil	34%
Chile	27%
Colombia	33%
Czech R.	19%
Dominican R.	27%
Ecuador	25%
France	28%
Germany	30%
Hungary	9%
Ireland	12.5%

Country	Nominal tax rate
Italy	24%
Luxembourg	17%
Mexico	30%
Netherlands	25%
Poland	19%
Portugal	21%
Romania	16%
South Africa	28%
Spain	25%
Switzerland	9%
United Kingdom	19%
Uruguay	25%
USA	21%

Financial years subject to tax inspection

In accordance with Spanish tax legislation, the years open for review to the Consolidated Tax Group are:

Tax	Unaudited Periods
Corporation	2014 a 2019
VAT	2017 a 2020
IRPF (personal income tax)	2017 a 2020
Non-resident Income Tax	2017 a 2020

In Spain during 2020, the Tax Administration began a partial verification process to reduce the taxable base of revenues from certain intangible assets referred to in article 23 of the Corporation Tax Act, which had commenced in 2019 and includes the years 2016 to 2018. This verification by the Administration validated the application of the incentive in the Spanish tax group, but amended some points of the calculation method. The result was a cash outflow of 619 thousand euros for tax payable and interest. The verification did not give rise to sanctions being imposed. Furthermore, for the Tax group in Spain, the verification involved consumption of activated tax credits of 263 thousand euros. Given that the company had recorded a provision of 1 million euros in the previous tax year, the impact on the corporation tax heading on the profit and loss account was income of 123 thousand euros.

In Germany, an inspection procedure has been opened which is reviewing the amount of negative tax bases still to be offset by the companies. Furthermore, a verification file is open for all the taxes in some of the German companies which covers the 2015 to 2018 financial years.

The inspection process at the subsidiary company in Austria was finalised in the 2020 financial year. The final settlement lead to a cash outflow of 126 thousand euros which will be paid up in 2021. The verification did not involve sanctions being imposed.

The verification process in Portugal was finalised in the 2020 financial year, with the result of tax payable and interest of 165 thousand euros. This amount was paid in 2020 itself.

Finally, an inspection procedure has been opened in Colombia focused on the deductions of certain Corporation Tax expenses.

The Group's Directors do not expect any significant contingencies to arise from the conclusions of the inspections.

Regarding the financial years open to inspection in the rest of the group, contingent liabilities not susceptible to objective quantification may exist, which are not significant in the opinion of the Group's Directors. Moreover, the Company considers that there are no significant uncertain tax positions.

Balances with Public Administrations

The composition of the debit balances with Public Administrations at 31 December is as follows:

	Thousands of euros	
	2020	**2019**
Deferred tax assets		
Tax credits	132,377	83.881
Tax assets due to asset impairment	41,854	31.842
Tax withholdings of workforce	2,778	3.312
Other prepaid taxes	1,584	5.219
IFRS 16 (Note 2.2)	94,420	95.786
Total	**273,013**	**220.040**

	Thousands of euros	
	2020	**2019**
Short-term taxes receivable		
Corporation tax	13,026	19.613
Value Added Tax	30,977	7.336
Other tax receivables	6,544	2.012
Total	**50,547**	**28.961**

The movements of the “Deferred tax assets” heading in the year were as follows:

	Thousands of euros	
	2020	2019
Opening balance	**220,040**	**138.724**
Asset impairment	10,012	(2.982)
Generation of assets due to tax losses	48,998	1.927
Settlements of assets due to tax losses	(605)	(10.667)
Activation of deductions	103	528
Settlement of deductions	—	(92)
Business combinations (Note 6)	5,610	—
IFRS 16 (Note 2.2 and Note 8)	(1,366)	95.786
Others	(9,779)	(3.184)
Total	**273,013**	**220.040**

All these impacts have had an effect on the consolidated comprehensive profit and loss statements, apart from the change due to the entry into the scope of consolidation arising from the agreement reached with Boscolo Hotels to integrate eight hotels in Italy, Hungary, the Czech Republic and France into the NH Group, and some insignificant impacts that involved change to the consolidated statements of changes in equity.

The increase in deferred tax assets is mainly due to the generation of assets due to tax losses as a result of the losses in 2020 caused by the slump in the sector due to the impact of the worldwide health crisis.

At 31 December 2020, the Group had assets resulting from tax losses and deductions amounting to 132,377 thousand euros (83,881 thousand euros in 2019). Out of the total tax credits, 79,067 thousand euros relates to credits activated in Spain. In accordance with the above, no tax credits were generated due to the loss generated in 2020 in the Spanish tax group.

In the 2020 financial year, the movement of tax credit assets was 48,496 thousand euros. The increase in tax credits was due to the activation of the loss for the financial year, mainly in Germany (20,872 thousand euros), Italy (14,659 thousand euros), Benelux (4,599 thousand euros), Portugal (3,759 thousand euros) and Latin America (3,526 thousand euros). To activate these credits, the relevant plans for tax credit recovery were prepared to support their activation. There was no additional activation of credits for tax losses in the Spanish tax group.

At 31 December 2020, the Group had tax loss carryforwards worth 745,474 thousand euros (594,222 thousand euros at 31 December 2019) and deductions amounting to 29,136 thousand euros (27,695 thousand euros in 2019) that had not been entered in the accompanying consolidated balance sheet because the Directors considered they did not meet accounting standard requirements. These assets are grouped as follows (base amount):

	Thousands of euros	
	2020	2019
Finance costs and negative tax bases		
Non-deductible financial expenses in Spain	205,337	191,799
Negative tax bases generated by the Spanish entities before their inclusion in the Spanish consolidation group	102,813	102,813
Spanish consolidation group tax loss carryforwards	134,329	43,351
Negative tax bases generated in Austria	32,148	33,825
Negative tax bases generated in Latin America	11,457	3,068
Negative tax bases generated in Luxembourg	54,394	47,682
Negative tax bases generated in Germany	135,185	123,312
Negative tax bases generated in Hungary	1,437	1,437
Negative tax bases generated in the Netherlands	-	-
Negative tax bases generated in Belgium	10,583	1,621
Negative tax bases USA	41,986	38,684
Negative tax bases France	13,621	6,630
Negative tax bases generated in South Africa	1,147	-
Negative tax bases generated in the Ireland	1,037	-
Total Tax bases	**745,474**	**594,222**
Deductions		
Deductions generated in Spain	29,136	27,695
Total deductions	**29,136**	**27,695**
Total	**774,610**	**621,917**

Finance costs, which are not considered deductible in the Spanish corporate income tax when exceeding 30% of the operating revenue of the tax group calculated in accordance with Article 16 of Law 27/2014 of 27 December, on Corporate Income Tax, amount to 205,337 thousand euros in 2020 (191,799 thousand euros in 2019). There is no deadline for offsetting non-deductible finance costs.

The change to the credits not recorded in the 2020 financial year is mainly due to the negative tax base generated in Spanish tax group's loss in the year (86,153 thousand euros) which was not activated.

The composition of the creditor balances with Public Administrations at 31 December is as follows:

	Thousands of euros	
	2020	2019
Deferred tax liabilities		
Revaluation of assets and other valuation differences	171,519	180,082
Total	**171,519**	**180,082**

	Thousands of euros	
	2020	2019
Short-term taxes payable		
Corporation tax	3,517	10,904
Value Added Tax	441	1,886
Personal Income Tax	3,813	7,688
Tax on Income from Capital	1,025	1,308
Social Security	3,756	8,109
Others	10,037	10,980
Total	**22,589**	**40,875**

The movements in deferred tax liabilities during the year were as follows:

	Thousands of euros	
	2020	2019
Opening balance	**180,082**	**177,478**
IAS 29 Hyperinflationary economies	(651)	(1,177)
Business combinations (Note 6)	11,458	—
Others	(19,370)	3,781
Closing balance	**171,519**	**180,082**

The reduction in deferred tax liabilities is mainly due to the allotment of impairment to revalued assets in the moment of the acquisition. In addition, liabilities have increased by 11,458 thousand euros as a result of the entry of eight hotels in Italy, Hungary, the Czech Republic and France into the scope of consolidation after the agreement reached with Boscolo Hotels (Note 6).

The detail, by country and item, of these deferred taxes is as follows:

	Thousands of euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	79,067	33,245	112,312	25,509
Benelux	7,343	27,363	34,706	18,253
Italy	14,659	26,374	41,033	85,353
Germany	22,729	42,959	65,688	2,904
Others	8,579	10,695	19,274	39,500
TOTAL	**132,377**	**140,636**	**273,013**	**171,519**

Reconciliation of the accounting result to the tax result

The reconciliation between the consolidated comprehensive profit or loss statements, the corporation tax base, current and deferred tax for the year, is as follows:

	Thousand euros										
	2020								2019		
	Spain	Benelux	Italy	Germany	USA	Latam (1)	Rest of Europe and others	TOTAL	Spanish Companies	Rest of companies	Total
Consolidated comprehensive profit and loss statements before taxes	(120,933)	(79,850)	(119,095)	(105,021)	(6,492)	(28,473)	(55,691)	(515,555)	38,137	93,332	131,469
Adjustments to consolidated comprehensive profit and loss:											
Accounting consolidation adjustments	-	-	-	-	-	-	-	-	-	2,721	2,721
Due to permanent differences	121,151	35,450	57,510	99,854	6,361	26,235	57,711	404,272	(36,050)	46,332	10,282
Due to temporary differences	(225)	3,228	61,617	6,527	161	3,675	(2,220)	72,763	(501)	(4,807)	(5,308)
Tax base (Taxable profit or loss)	(7)	(41,172)	32	1,360	30	1,437	(200)	(38,520)	1,586	137,578	139,164
Current taxes to be refunded / (to pay)	7,708	(2,170)	237	(505)	6	3,835	398	9,509	8,126	583	8,709
Total current tax income / (ex-pense)	2	10,292	(8)	(408)	(6)	(516)	(2)	9,354	(396)	(35,080)	(35,476)
Total deferred tax income / (expense)	591	7,081	28,963	22,951	34	3,753	2,940	66,313	(7,163)	6,006	(1,157)
Total other income / (expense)	(357)	(279)	160	(172)	30	184	(79)	(513)	763	(2,698)	(1,935)
Total Corporation Tax income / (expense)	**236**	**17,094**	**29,115**	**22,371**	**58**	**3,421**	**2,859**	**75,154**	**(6,796)**	**(31,772)**	**(38,568)**

(1) The Latin America business area includes the profits and losses obtained by the Group in Argentina, Mexico, Uruguay, Colombia, Chile, Ecuador and Brazil.

Deductions generated by the consolidated tax group of the Parent Company

At 31 December 2020, the Tax Group held the following tax credits carryforward (thousand euros):

Year of origin	Deduction pending application	Amount
2006 to 2011	Deduction to encourage certain activities	26,717
2014 - 2020	IT Deduction	2,089
2019 and 2020	Investment deduction in the Canary Islands	631
2013 to 2014	Other	884
		30,231

20.- OTHER NON-CURRENT LIABILITIES

The breakdown of the "Other non-current liabilities" item in the accompanying consolidated balance sheets is as follows:

	Thousand euros	
	2020	**2019**
At amortised cost:		
Capital subsidies	2,151	1,911
Acquisition of Capredo Investment GmbH	3,150	3,150
Other liabilities	5,300	2,576
Total	**10,601**	**7,637**

21.- PROVISIONS FOR CONTINGENCIES AND CHARGES

The breakdown of "Provisions for risks and charges" for the financial year, together with the main movements recognised in those years were as follows:

	Thousand euros				
	Balance at 01.01.2020	**Additions**	**Applications/ Reversals**	**Business combinations (Note 6)**	**Balance at 31.12.2020**
Provisions for contingencies and extraordinary costs:					
Provisions for pensions and similar obligations	28,919	1,014	(709)	—	29,224
Other claims	19,322	1,623	(2,914)	—	18,031
	48,241	**2,637**	**(3,623)**	**—**	**47,255**
Provisions for contingencies and current expenses:					
Other Provisions	5,021	1,395	(4,849)	4,710	6,277
	5,021	**1,395**	**(4,849)**	**4,710**	**6,277**
Total	**53,262**	**4,032**	**(8,472)**	**4,710**	**53,532**

	Thousand euros				
	Balance at 01.01.2019	**Additions**	**Applications/ Reversals**	**Business combinations (Note 6)**	**Balance at 31.12.2019**
Provisions for contingencies and extraordinary costs:					
Onerous contracts (Note 2)	5,313	—	—	(5,313)	—
Provisions for pensions and similar obligations	16,740	13,589	(1,410)	—	28,919
Other claims	29,125	2,921	(16,450)	3,726	19,322
	51,178	**16,510**	**(17,860)**	**(1,587)**	**48,241**
Provisions for contingencies and current expenses:					
Onerous contracts (Note 2)	1,654	—	—	(1,654)	—
Other Provisions	1,059	4,694	(629)	(103)	5,021
	2,713	**4,694**	**(629)**	**(1,757)**	**5,021**
Total	**53,891**	**21,204**	**(18,489)**	**(3,344)**	**53,262**

At 1 January 2019, due to the application of IFRS 16, the provision for onerous contracts is registered as the lower value of the right of use (Note 2).

Provision for pensions and similar obligations

The "Provisions for pensions and similar obligations" account mainly includes the pension fund of a certain number of employees of the Netherlands business unit, and the T.F.R. "Trattamento di fine rapporto" in Italy, an amount paid to all workers in Italy at the moment they leave the company for any reason. This is another remuneration element, whose payment is deferred and annually allocated in proportion to fixed and variable remuneration both in kind and in cash, which is valued on a regular basis. The annual amount to be reserved is equivalent to the remuneration amount divided by 13.5. The annual cumulative fund is reviewed at a fixed interest rate of 1.5% plus 75% of the increase in the consumer price index (CPI).

This section also includes various retirement, performance related and/or long-stay awards considered in the Collective Bargaining Agreements that are applicable in Spain.

In the 2019 financial year, the allocations column included the change in accounting criteria of 12,191 thousand euros, resulting in a net impact of taxes on equity of 9,692 thousand euros. (Note 2.4).

At the end of 2020, the liabilities entered against this item were of 29,224 thousand euros (28,919 thousand euros at 31 December 2019).

The breakdown of the main assumptions used to calculate actuarial liabilities is as follows:

	2020		2019	
	Netherlands	Italy	Netherlands	Italy
Discount rates	0,60%	0,0%-0,0736%	1,20%	0,20%-1,46%
Expected annual rate of salary rise	0,50%	1,90%	0,50%	1,9%
Expected return from assets allocated to the plan	0,23%	1,6%	0,23%	2,02%

Other claims

The "Other claims" item includes provisions for disputes and risks that the Group considers likely to occur. Among the most significant are the provisions created on the basis of the action brought in the proceedings claiming breach of contract in a property development, as well as other claims received in relation to the termination of certain leases where certain amounts are claimed. No decision on these claims is expected in the short term (Note 24).

22.- TRADE AND OTHER PAYABLES

The breakdown of this item in the consolidated balance sheet at 31 December is as follows (thousands of euros):

	Thousand euros	
	2020	2019
Trade and other payables	164,564	215,755
Advance payments from customers	23,929	41,744
Total	**188,493**	**257,499**

The heading "Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Group.

The "Advance payments from customers" item mainly includes customer deposits arising from the Group's hotel businesses.

INFORMATION ON DEFERRED PAYMENTS TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DUTY TO REPORT" OF ACT 11/2013 OF 26 JULY

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

	2020	2019
	Days	
Average period for payment to suppliers	**82**	**63**
Ratio of paid transactions	82	63
Ratio of transactions pending payment	96	53
	Amount (thousands of euros)	
Total payments made	194,915	308,812
Total payments pending	10,226	13,732

The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Commercial Creditors and Other Accounts Payable" item in current liabilities of the consolidated balance sheet.

The average period for payment to suppliers has been calculated, as stated in the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, using the weighted average of the two ratios explained below:

- Ratio of paid transactions: average payment period of transactions paid in each year weighted by the amount of each transaction.
- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

23.- OTHER CURRENT LIABILITIES

At 31 December, this item is broken down as follows:

	Thousand euros	
	2020	2019
Outstanding remuneration	19,175	40,274
Other creditors	5,920	8,761
Total	**25,095**	**49,035**

24.- THIRD-PARTY GUARANTEES AND CLAIMS IN PROCESS

At 31 December 2020, NH had a total of 34,052 thousand euros in economic or financial bank guarantees issued by various banks (30,371 thousand euros in 2019).

The increase in the balance of bank guarantees at 31 December 2020, compared to the balance at 31 December 2019, is mainly due to the issue of a new bond for 2,000 thousand euros and the reduction in the amount on renewal of some of them.

Of the 34,052 thousand euros in bank guarantees, 29,848 thousand euros guarantee leasing contract obligations and others related to the Group's usual operations in various countries, and 4,203 thousand euros issued in relation to public bodies.

At 31 December 2020, the Group had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third-party liability. The capital insured sufficiently covers the assets and risks mentioned above.

Commitments to third parties

- On 10 March 2006, the partnership agreement of the company which owns a hotel in the United Kingdom was signed, of which a group company is a shareholder, under which, if the company were to receive a purchase offer for 100% of its shares at market price, the Group company could be required to transfer the shares. However, the group company will have preferential acquisition rights over the shares. At the close of the financial year, the group company had granted its shareholder an option to purchase shares representing up to 6.96% of the company capital of the company owning the hotel.

- Within the framework of new development projects in the normal course of business, in which NH Group subsidiaries act as lessees or operators, the Group's parent company gives personal guarantees in favour of third parties to secure its contractual obligations, often issue promissory notes in payment of said obligations and agrees penalty clauses in case of breach of contract.

- Likewise, within the framework of the group's financing, personal and real guarantees have been granted to fulfil the obligations guaranteed under the financing agreements (Note 18).

Claims in process

The Group's main contingent assets and liabilities on the date these consolidated financial statements were drawn up, are set out below:

- The owner of four properties in the Netherlands has claimed in court the payment of compensation to a Dutch subsidiary because there was allegedly a change of the control situation in the year 2014, which supposedly entitles him to claim a fine, according to the lease. The claim filed by the owner, both in the first instance and on appeal, was dismissed in full. The same owner has instituted fresh court proceedings alleging a change of control situation in 2018, as the claim was dismissed in the first instance and the appeal is currently pending resolution.

- A claim has been filed against a NH Group company in Germany due to the termination of two lease agreements and claiming specific amounts, including damages.

- A claim has been filed against an NH Group company in Italy due to the early termination of a lease agreement; the ruling was favourable to the company's interests in the appeal, although it is in judicial review currently in progress.

- An NH Group company in Italy has been sued with damages under a service provision contract requested.

- An NH Group company in South Africa has been sued for damages as a result of the termination of a lease agreement.

- A claim has been filed against two of the Group's companies seeking payment fees to rights management from 1 January 2008 to 31 May 2013, in addition to an unspecified amount corresponding to the period thereafter until a judgement is issued, plus interest and costs. The procedure from both first instance and appeal has been resolved by setting an amount lower than the one claimed, however, a judicial review has been filed, which is pending a hearing.

- A claim has been filed against an NT Group company claiming payment in relation to the payment of a management entity's fees for the years 2018, 2019, et seq, which is currently being processed.

- A claim has been filed against an NH Group company for damages within the framework of a corporate relationship.

- On the occasion of the agreements reached in 2014 for the sale of the shares held by NH Hotel Group, S.A in the company Sotogrande, S.A., NH Group agreed to subrogate to the position of Sotogrande, S.A. for certain claims assuming all rights and obligations relating thereto, and are summarised as follows:

  - Plaintiff in the proceedings against construction agents for construction defects in twenty-five homes and contractual liability.
  - Respondent in the process of claiming amounts from a real estate development due to construction defects.
  - The company may be subject to a claim for amounts derived from an eventual administrative claim.

- A former shareholder of the NH Group has requested the annulment of certain resolutions adopted by the Board of Directors, and the proceedings are currently in progress.

- As part of the contractual liability assumed by the NH Group in the 2013 hotel purchase contract, the buyers informed the Group of the requirement to pay the Dutch Capital Transfer Tax. At 31 December 2020, the total amount of this tax, plus the corresponding default interest, was 12,300 thousand euros. The purchasers submitted an appeal to the Dutch Treasury that was rejected and an appeal has been filed with the Courts that is still pending resolution. The NH Group and the purchasers reached an agreement whereby NH assumed control of the judicial procedure.

The Directors of the Parent Company consider that the hypothetical loss incurred by the Group as a result of such actions would not significantly affect the equity of the Group.

25.- LONG-TERM INCENTIVE PLAN

On 25 June 2013, the Company's General Shareholders Meeting approved a long-term share-based incentive plan ("the plan") for the NH Hotel Group SA's executives and employees, as follows:

The plan consisted of the grant of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of the fixed salary, according to their level of responsibility. The number of shares to be granted was subject to the degree of fulfilment of the following objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, SA shares with the following indices:
  - o IBEX Medium Cap
  - o Dow Jones Euro Stoxx Travel & Leisure

- EBITDA, discounting the amount corresponding to rentals compared annually with the forecasts of the Company's strategic plan.

If the minimum degree of fulfilment established in the aforementioned objectives were not achieved, the plan's beneficiaries will not be entitled to shares under said plan.

The plan was aimed at a maximum of 100 beneficiaries. The Board of Directors, at the proposal of the CEO, may include new members in the plan.

The plan had a total duration of five years, divided into three three-year cycles.

In 2019, the third and final cycle of the first plan was settled with the delivery of 226,067 net shares at a fair value per unit of 4.55 euros. The settlement of the plan was made net of taxes.

On the other hand, the 2017 Shareholders' Meeting approved the launch of a new Long-Term Incentive Plan. This plan has a duration of five years, divided into three three-year cycles. The current cycles at 31 December 2020 are:

	No. of Shares Assigned at the start of each cycle	No. of live shares at 31.12.2020 (Thousands)	Value of the allocation (Euros)
The second cycle began on 01/01/2018 (delivery in 2021 (in force))	517.96	421.99	5.96
The third cycle began on 01/01/2019 (delivery in 2022 (in force))	879.25	760.76	3.96

The difference between the total shares assigned at the beginning of each cycle and the live shares at 31 December 2020 are beneficiaries who left between the launch and 31 December 2020.

This second plan has a very similar structure to the first; delivery of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of fixed salary, according to their level of responsibility.

The number of shares to be delivered shall be subject to the degree of fulfilment of the following four objectives:

- o TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, S.A. shares with the STOXX® Europe 600 Travel & Leisure share index.
- o Revaluation of the Share.
- o Recurring Net Profit.
- o Recurring EBITDA.

The beneficiaries must remain in the Group at the end of each cycle, notwithstanding the exceptions deemed appropriate, as well as achieving the minimum thresholds for each of the objectives.

The Board of Directors will be authorised to decide, before the start of each of the cycles, the effective implementation thereof in accordance with the Group's financial position at the time. At the date of publication of this report, all the cycles had been approved by the Board of Directors.

The maximum amount approved by the General Shareholders' Meeting for the three cycles of the second Plan is 16,200,000 euros.

In addition, the first cycle of the new incentive plan, which began on 1 January 2017, was wholly settled in the first half of 2020 with the delivery of 401,638 net shares at a fair value per unit of 4.68 euros. The settlement of this plan was made net of taxes.

During 2020, no impact has been recorded in the consolidated profit and loss statement as it is not expected to meet the objectives described above (the impact recorded in 2019 was 3,569 thousand euros).

26.- INCOME AND EXPENSES

26.1 Income

The breakdown of these headings in the consolidated comprehensive income statements is as follows:

	Thousands of euros	
	2020	**2019**
Hotel occupancy	348,180	1,222,859
Catering	111,175	340,562
Meeting rooms and others	47,088	91,772
Rentals and other services	29,707	52,885
Revenues	**536,150**	**1,708,078**
Operating subsidies	36	36
Other operating income	7,816	9,316
Other operating income	7,852	9,352
Net gain (loss) on disposal of assets	**(475)**	**(709)**

The fall in the net turnover was due to the Covid-19 pandemic. From the middle of March demand in the hotel sector decreased drastically due to lockdown and travel restrictions.

“Rentals and Other Services” includes the income from fees invoiced to hotels operated on a management basis and the services provided by the NH Group to third parties.

The breakdown of net turnover by geographical markets is as follows:

	Thousands of euros	
	2020	**2019**
Spain	133,743	440,162
Germany	117,343	371,054
Benelux	114,695	305,712
Italy	83,111	323,639
Rest of Europe	57,330	121,275
Latin America	29,928	146,236
Total	**536,150**	**1,708,078**

26.2 Financial income

The breakdown of the amount of financial income is:

	Thousands of euros	
	2020	**2019**
Dividend income	-	1,635
Interest income	951	1,276
Other financial income	765	1,293
Total	**1,716**	**4,204**

Interest income corresponds to loans valued at amortised cost.

26.3 Personnel expenses

This item in the consolidated comprehensive profit and loss statement is broken down as follows:

	Thousands of euros	
	2020	2019
Wages, salaries and similar	188,430	339.754
Social security contributions	54,986	81.500
Indemnifications	7,521	3.119
Contributions to pension plans and similar	10,342	11.134
Other social expenses	6,895	13.255
Total	**268,174**	**448.762**

The decrease in personnel costs can be explained by the contingency plans that the Group put in place to alleviate the fall in business due to Covid-19. Mainly these consisted of temporary layoffs, due to force majeure or productive reasons, and voluntary reductions in working days and wages.

The saving recorded in 2020, as a result of the subsidies or allowances received from Governments to offset the restrictive measures taken, was approximately 36,932 thousand euros in wages and salaries and 15,795 thousand euros in social security contributions.

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in the year broken down by professional category was as follows:

	2020	2019
Group's general management	8	8
Managers and heads of department	1,483	1.465
Technical staff	988	972
Sales representatives	816	803
Administrative staff	180	182
Rest of workforce	7,637	8.033
Total	**11,112**	**11.463**

In calculating the average number of employees, the Group has not taken into account employees whose contracts have a duration of less than two days.

The breakdown of the personnel at 31 December, by sex and professional category, is as follows:

	31/12/2020		31/12/2019	
	Males	Females	Males	Females
Group's general management	7	1	6	2
Managers and heads of department	801	609	866	633
Technical staff	482	466	524	490
Sales representatives	202	526	256	601
Administrative staff	62	104	68	118
Rest of workforce	3,374	3,498	4,084	4,175
Total	**4,928**	**5,204**	**5,804**	**6,019**

As mentioned above, throughout 2020, the Group has had to act to alleviate the serious consequences of Covid-19 on its business and results. With this objective, the Company, always with the maxim of protecting long-term employment as much as possible, has launched a contingency plan to temporarily reduce its workforce and, consequently, adjust its personnel costs to the reality of the business , through contract suspensions, reductions in working hours, request for extraordinary subsidies available in some countries, cancellations of vacancies and / or other measures taken according to the labour legislation in each country.

Almost all of the workforce (86%), in all professional categories, has been affected by some of these measures, affecting men and women equally.

The average number of people with disabilities equivalent to or greater than 33%, directly employed by the Parent Company and fully consolidated companies in Spain in the year, broken down by professional category, is as follows:

	2020	2019
Managers and heads of department	2	3
Technical staff	9	11
Sales representatives	2	5
Administrative staff	10	5
Rest of workforce	66	90
Total	**89**	**114**

The average age of the Group's workforce was approximately 39.7 and average seniority in the Group was 9 years (39 years and 9 years respectively in 2019).

26.4 Other operating expenses

The composition of this consolidated comprehensive income heading is as follows:

	Thousands of euros	
	2020	**2019**
Leasing (Note 8)	(31,374)	83.647
Outsourcing of services	42,234	125.194
Commissions and bonuses for customers	27,260	92.287
Supplies	42,856	60.607
Maintenance and cleaning	28,111	42.277
Laundry and related costs	14,840	39.110
Costs associated with information technologies	33,085	41.001
Marketing and merchandising	9,692	24.574
Taxes, insurance and levies	24,439	27.737
Advisory services	11,667	15.547
Other external services	46,671	72.194
Total	**249,481**	**624.175**

The Group experienced a decrease in the level of activity of its hotel business in 2020 as a result of Covid-19. At the start of the pandemic, the Group implemented a contingency plan that includes a severe reduction in fixed and variable costs directly related to the activity level.

The high degree of uncertainty required the fixed cost structure to be minimised and operations adapted. The enormous effort in efficiency and cost control has practically covered operating costs before rentals.

The "Taxes, insurance and levies" heading includes property tax allowances or rebates received from some City Councils to offset the temporary closure of some hotels. The total amount was approximately 1,684 thousand euros.

On the other hand, during 2020, the Group managed to reach agreements with the vast majority of landlords, which has made it possible to obtain rent concessions to significantly mitigate the impact of the pandemic. In this sense, as a result of applying the IFRS 16 amendment published on 28 May 2020, the Group recorded savings of 46,195 thousand euros relating to rent concessions achieved in the aforementioned negotiations carried out as a result of Covid-19 (Note 2.2). In addition, as a result of the drop in business and renegotiations and write-offs, expenses for variable rents, as well as those which are not subject to IFRS 16, were reduced.

During 2020 and 2019, the fees for account auditing and other services provided by the auditor of the Group's consolidated annual accounts and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousands of euros	
	2020	2019
Auditing services	644	545
Other verification services	214	138
Total auditing and related services	858	683
Tax consulting services	—	—
Other services	243	23
Total other services	243	23
Total professional services	**1,101**	**706**

Additionally, entities associated with the international network of the consolidated annual accounts auditor have invoiced the Group for the following services:

	Thousands of euros	
	2020	2019
Auditing services	1,079	1.031
Other verification services	215	152
Total auditing and related services	1,294	1.183
Tax consulting services	289	274
Other services	53	1
Total other services	342	275
Total	**1,636**	**1.458**

During 2020, other auditing firms apart from the auditor of the consolidated annual accounts or entities associated with this company by control, shared ownership or management, have provided account auditing services to the companies making up the Group, for fees totalling 46 thousand euros (50 thousand euros in 2019). The fees accrued in 2020 by these firms for tax advice services were 366 thousand euros (244 thousand euros in 2019) and for other services, 54 thousand euros (80 thousand euros in 2019).

26.5 Financial costs

The breakdown of this chapter in the consolidated comprehensive income statement is as follows:

	Thousands of euros	
	2020	2019
Expenses for interest	28,021	19,933
Financial expenses for means of payment	6,459	19,304
Financial effect relating to restatement of provisions and other financial liabilities	1,271	2,721
Amortisation of debt arrangement expenses	5,688	3,793
Other financial expenses	-	101
Other Financial expenses	**41,439**	**45,852**
Interest on leases (Note 8)	**94,106**	**89,620**
Financial Expenses	**94,106**	**135,472**

The expenses for interest correspond to debts valued at amortised cost.

26.6 Results from exposure to hyperinflation

This heading includes the net effect recognised in the consolidated comprehensive profit and loss statement arising from the application of accounting standards to the financial statements of Argentine subsidiaries from the date of first application since 2018 (Note 2.6.4).

27.- RELATED PARTY TRANSACTIONS

In addition to its subsidiaries, associates and joint ventures, the Group's "related parties" are considered to be the "key management personnel" of the Parent Company (Board Members and Directors, along with their immediate relatives), as well as organisations over which key management personnel may exert significant influence or control.

Transactions carried out by the Group with its related parties during the year are stated below, distinguishing between major shareholders, members of the Board of Directors and Directors of the Parent Company and other parties that were related during the year even though there are no longer a shareholder at year-end. The conditions of the related-party transactions are equivalent to those of transactions carried out under market conditions:

	Thousands of euros		
	2020		
Income and Expenses	Major Shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	832	-	832
Other expenses	1,528	-	1,528
Total	**2,360**	**-**	**2,360**
Income:			
Financial income	-	346	346
Management or cooperation agreements	666	516	1,182
Other income	578	22	600
Total	**1,244**	**884**	**2,128**

	Thousands of euros		
	2019		
Income and Expenses	Major Shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	590	-	590
Other expenses	231	-	231
Total	**821**	**-**	**821**
Income:			
Financial income	-	324	324
Management or cooperation agreements	2.749	1.651	4.400
Total	**2.749**	**1.975**	**4.724**

The heading "Management or cooperation agreements" referring to major shareholders includes the amounts that have accrued in the form of management fees payable to NH Group in the financial year by virtue of the hotel management agreement signed with Minor Group.

Related party balances

	Thousands of euros	
	2020	2019
Accounts receivable from related entities	955	2,493
Accounts receivable from associated companies (long term) (Note 13)	140	143
Accounts receivable from associated companies (short term)	841	1,180
Loans to associates	9,617	9,503
Provision for impairment	(9,617)	(9,503)
Total Assets	**1,936**	**3,816**

	Thousands of euros	
	2020	2019
Accounts payable from related entities	(613)	(1,050)
Accounts payable from associated companies	-	(156)
Loans to associates	-	(5,588)
Total Liabilities	**(613)**	**(6,794)**

At 31 December 2020, the NH Hotel Group has a net balance pending collection of 342 thousand euros with the Minor Group (955 thousand euros recorded as an account receivable and 613 thousand euros as accounts payable).

In the 2019 financial year, as a result of the analysis of the fair value of the company's holding recorded as an asset available for sale, a provision for impairment was recorded of the loans receivable from associated companies of 9,503 thousand euros and an expense of 5,588 thousand euros for the contribution undertaken to be made to the company at the close of the 2019 financial year, to carry out cancellation of the bank loan held by it and in which NH Hotel Group acted as guarantor for 35.5%. Both impacts were recorded as "Impairment on financial investments" on the consolidated comprehensive profit and loss statement.

28.- INFORMATION BY SEGMENTS

28.1 Information on main segments

The Group divides its activity into the real estate (Note 12) and hotel segments. Additionally, within the hotel segment, sub-segments are identified by geographic area, which are included in the breakdowns reflected in the consolidated financial statements for information purposes.

The factors taken into account when defining the segments were as follows:

a) They carry on business activities from which they can earn income from ordinary activities and incur expenses (including income from ordinary activities and expenses for transactions with other components of the Group).

b) They obtain operating results that are regularly reviewed by the entity's highest decision-making authority to decide on the resources to be allocated to the segment and to evaluate its performance.

c) They have different financial information.

The Management Committee is the body responsible for making decisions on the Group's segments. Accordingly, it analyses the Group's results, distinguishing between the aforementioned sub-segments.

The breakdown of the segment information required by IFRS 8 is as follows:

2020

	Thousand euros						
	Hotel						
	31.12.2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and others
OTHER INFORMATION							
Additions of fixed assets	109,746	23,813	29,757	29,088	20,117	6,701	270
Depreciation	(302,473)	(95,060)	(46,717)	(53,111)	(68,092)	(10,593)	(28,900)
Net profit (loss) for asset deterioration	(76,258)	(3,957)	(2,833)	(47,370)	(13,714)	(972)	(7,412)
BALANCE SHEET							
ASSETS							
Assets by segments	4,295,735	851,821	1,126,947	747,933	802,040	442,191	324,803
Shareholdings in associated companies	6,044	930	-	-	-	5,114	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	4,301,779	852,751	1,126,947	747,933	802,040	447,305	324,803
LIABILITIES							
Liabilities and equity by segments	4,301,779	852,751	1,126,947	747,933	802,040	447,305	324,803
Total Consolidated Liabilities and Equity	**4,301,779**	**852,751**	**1,126,947**	**747,933**	**802,040**	**447,305**	**324,803**

	Thousand euros						
	Real Estate						
	31.12.2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and others
BALANCE SHEET							
ASSETS							
Assets by segments	(7,591)	-	-	-	-	-	(7,591)
Shareholdings in associated companies	35,729	35,729	-	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	28,138	35,729	-	-	-	-	(7,591)
LIABILITIES							
Liabilities and equity by segments	28,138	35,729	-	-	-	-	(7,591)
Total Consolidated Liabilities and Equity	**28,138**	**35,729**	**-**	**-**	**-**	**-**	**(7,591)**

	Thousand euros						
	Total						
	31.12.2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and others
OTHER INFORMATION							
Additions of fixed assets	109,746	23,813	29,757	29,088	20,117	6,701	270
Depreciation	(302,473)	(95,060)	(46,717)	(53,111)	(68,092)	(10,593)	(28,900)
Net profit (loss) for asset deterioration	(76,258)	(3,957)	(2,833)	(47,370)	(13,714)	(972)	(7,412)
BALANCE SHEET							
ASSETS							
Assets by segments	4,288,144	851,821	1,126,947	747,933	802,040	442,191	317,212
Shareholdings in associated companies	41,773	36,658	-	-	-	5,115	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	4,329,917	888,479	1,126,947	747,933	802,040	447,306	317,212
LIABILITIES							
Liabilities and equity by segments	4,329,917	888,479	1,126,947	747,933	802,040	447,306	317,212
Total Consolidated Liabilities and Equity	**4,329,917**	**888,479**	**1,126,947**	**747,933**	**802,040**	**447,306**	**317,212**

2019

	Thousand euros						
	Hotel						
	31.12.2019						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and others
OTHER INFORMATION							
Additions of fixed assets	186,186	47,492	36,153	58,740	29,398	13,827	576
Depreciation	(297,080)	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)
Net profit (loss) for asset deterioration	4,889	4,161	71	5,518	(3,996)	(1,742)	877
BALANCE SHEET							
ASSETS							
Assets by segments	4,336,568	888,471	1,129,590	739,488	817,721	504,791	256,507
Shareholdings in associated companies	7,517	929	-	-	-	6,588	-
Non-current assets classified as held for sale	-		-	-	-	-	-
Total consolidated assets	4,344,085	889,400	1,129,590	739,488	817,721	511,379	256,507
LIABILITIES							
Liabilities and equity by segments	4,344,085	889,400	1,129,590	739,488	817,721	511,379	256,507
Total Consolidated Liabilities and Equity	**4,344,085**	**889,400**	**1,129,590**	**739,488**	**817,721**	**511,379**	**256,507**

	Thousand euros						
	Real Estate						
	31.12.2019						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and others
BALANCE SHEET							
ASSETS							
Assets by segments	-	-	-	-	-	-	-
Shareholdings in associated companies	-	-	-	-	-	-	-
Non-current assets classified as held for sale	47,811	37,265	-	-	-	-	10,546
Total consolidated assets	47,811	37,265	-	-	-	-	10,546
LIABILITIES							
Liabilities and equity by segments	47,811	37,265	-	-	-	-	10,546
Total Consolidated Liabilities and Equity	**47,811**	**37,265**	**-**	**-**	**-**	**-**	**10,546**

	Thousand euros						
	Total						
	31.12.2019						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and others
OTHER INFORMATION							
Additions of fixed assets	186,186	47,492	36,153	58,740	29,398	13,827	576
Depreciation	(297,080)	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)
Net profit (loss) for asset deterioration	4,889	4,161	71	5,518	(3,996)	(1,742)	877
BALANCE SHEET							
ASSETS							
Assets by segments	4,336,568	888,471	1,129,590	739,488	817,721	504,791	256,507
Shareholdings in associated companies	7,517	929	-	-	-	6,588	-
Non-current assets classified as held for sale	47,811	37,265	-	-	-	-	10,546
Total consolidated assets	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053
LIABILITIES							
Liabilities and equity by segments	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053
Total Consolidated Liabilities and Equity	**4,391,896**	**926,665**	**1,129,590**	**739,488**	**817,721**	**511,379**	**267,053**

28.2 Information on secondary segments

The following table shows the breakdown of certain Group consolidated balances in accordance with the geographical distribution of the entities giving rise to them:

	Thousand euros (2020)						
Significant information from the Income Statement by Geographic Area	**Spain**	**Benelux**	**Italy**	**Germany**	**Latin America**	**Rest of Europe and Others**	**Total**
Revenues	133,743	114,695	83,111	117,343	29,928	57,330	536,150
Depreciation	(95,060)	(46,717)	(53,113)	(68,092)	(10,593)	(28,902)	(302,477)
Net profit (loss) for asset deterioration	(3,957)	(2,833)	(47,370)	(13,714)	(972)	(7,412)	(76,258)
Financial income	899	70	30	273	429	15	1,716
Financial expenses	(35,052)	(30,651)	(19,737)	(26,202)	(7,529)	(16,374)	(135,545)
Results from exposure to hyperinflation (IAS 29)	-	-	-	-	796	-	796
Profit (Loss) from entities valued through the equity method	(6,926)	-	-	-	(542)	-	(7,468)
Variation in the provision for onerous contracts	-	-	-	-	-	-	-
Corporation tax	236	17,094	29,115	22,371	3,421	2,917	75,154
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	-	(66)	(66)

	Thousand euros (2019)						
Significant information from the Income Statement by Geographic Area	**Spain**	**Benelux**	**Italy**	**Germany**	**Latin America**	**Rest of Europe and Others**	**Total**
Revenues	440,162	371,054	305,712	323,639	121,275	146,236	1,708,078
Depreciation	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)	(297,080)
Net profit (loss) for asset deterioration	4,161	71	5,518	(3,996)	(1,742)	877	4,889
Financial income	2,388	236	26	465	1,030	59	4,204
Financial expenses	(38,266)	(19,334)	(22,654)	(32,450)	(11,090)	(11,678)	(135,472)
Results from exposure to hyperinflation (IAS 29)	-	-	-	-	(85)	-	(85)
Profit (Loss) from entities valued through the equity method	(71)	-	-	-	94	(1)	22
Variation in the provision for onerous contracts	-	-	-	-	-	-	-
Corporation tax	(6,796)	(13,317)	(13,319)	(757)	(3,656)	(723)	(38,568)
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	-	50	50

29.- REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Management Bodies of the Parent Company have the following composition at 31 December:

- Board of Directors: 9 members (9 members at 31 December 2019),
- Audit and Control Committee: 3 members (3 members at 31 December 2019),
- Appointments and Remuneration Committee: 3 members (3 members at 31 December 2019).

The Board of Directors had 9 members; all men (in 2019, there were 9 members: one woman and eight men).

29.1 Remuneration of the Board of Directors

The amount accrued during the year by the members of the Parent Company's Board of Directors in relation to the remuneration of the Executive Directors, by-law stipulated directors' fees and attendance fees and other items, is as follows:

	Thousands of euros	
Remuneration item	**2020**	**2019**
Fixed remuneration	807	1,016
Variable remuneration	-	729
Parent Company: allowances	3	11
Parent Company: attendance allowances	221	589
Transactions in shares and other financial instruments	257	491
Life insurance premiums	33	31
Others	20	20
Total	**1,341**	**2,887**

Due to the Covid-19 situation, board members voluntarily waived 50% of their remuneration from 1 March 2020 onwards.

The appointment of the Chief Operations Officer, Executive Director of the Company, by co-opting, is noteworthy. On the other hand, in September the female Executive Director of the Company left, and her remuneration is included up until she withdrew.

In relation to the heading, "Transactions on shares and/or other financial instruments", consideration has been given to the objective long-term remuneration accrued. Remuneration in kind (vehicles and medical insurance) is included under "Others".

29.2 Remuneration of senior management

The remuneration of members of the Management Committee during the year, excluding those who simultaneously held office as members of the Board of Directors (whose remuneration has been set out above), is detailed below:

	Thousands of euros	
	2020	**2019**
Pecuniary remuneration	1,277	2.745
Remuneration in kind	98	86
Others	462	670
Total	**1,837**	**3.501**

There were 6 members of Senior Management at 31 December 2020 (6 members at 31 December 2019) excluding the CEO and the Chief Operations Officer due to their status as executive directors.

The notable decrease in remuneration is explained by the crisis caused by Covid-19, due to which the annual remuneration of members of the Management Committee in 2020 decreased by more than 50%.

The Chief Operations Officer's remuneration prior to being appointed Executive Director is shown as Senior Management.
Remuneration in kind includes the vehicle and the cost of insurance.

The heading Other takes the long-term objective remuneration accrued in 2020 into consideration.

29.3 Information on conflicts of interest on the part of Directors

During 2020, Minor International Public Company Limited ("Minor"), an indirect majority shareholder of NH (94.132%) and represented on the Board by four proprietary Directors, and NH signed a series of Related Party Transactions, which are broken down in the Audit and Control Committee's Annual Report, as well as in Note 27 of this Report. These Related Party Transactions have always been executed in strict compliance with the rules established in the applicable regulations and the Procedure for Conflicts of Interest and Related Party Transactions with Significant Shareholders, Directors and Senior Management of NH Hotel Group, S.A. approved by the Board of Directors on 26 March 2014. All transactions signed with Minor (and/or its group of companies) have counted on a report from the Audit and Control Committee, have been signed under market conditions and with the participation of external advisors, and in compliance with the provisions in the Framework Agreement signed between the parties on 7 February 2019, which regulates, among others, the scope of action of the respective hotel groups headed by NH and Minor through the identification of preferred geographic areas or zones, the mechanisms necessary to prevent and deal with possible conflicts of interest, as well as to carry out operations with related parties and develop business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

During all Board Meetings dealing with issues related to Minor, the Proprietary Directors were absent when dealing with said matters and therefore did not participate in the adoption of the corresponding agreement.

30.- INFORMATION ON ENVIRONMENTAL POLICY

For the NH Hotel Group, environmental sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable services. All this minimises our environmental footprint with responsible consumption of natural resources.

The Company's environmental strategy is driven by NH ROOM4 Planet, which defines the roadmap for complying with the commitments acquired in the fight against climate change and progress towards decarbonisation, efficient management and responsible consumption of resources and the circular economy, and developing more sustainable products, but also involving employees, suppliers, shareholders and customers as key players in achieving them.

In order to formalise the extension of these commitments to the entire operation and NH Hotel Group's decision making process, in 2020, at a meeting of the Board of Directors held on 29 July, the new Environmental and Energy Policy was approved.

At NH Hotel Group the fight against climate change is a fundamental strategic value. This is way the Company was the first Spanish hotelier to establish targets for reducing emissions, scientifically validated by the Science Based Targets initiative (SBTi) last year. Therefore, NH Hotel Group formalised its commitment to reduce its carbon emissions by 20% throughout its value chain up to 2030, preventing the emission of more than 70,000 tonnes of CO_2 into the atmosphere. This objective marks NH Hotel Group's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement, and join the efforts that are being made globally towards the transition to a low carbon economy.

31.- RISK EXPOSURE

Group financial risk management is centralized in the Corporate Finance Division in accordance with the policies approved by the Board of Directors. This Division has put the necessary measures in place to control exposure to changes in interest and exchange rates on the basis of the Group's structure and financial position, as well as credit and liquidity risks. If necessary, hedges are made on a case-by-case basis. The main financial risks faced by the Group's policies are described below:

Credit risk

The Group main financial assets include cash and cash equivalents (Note 15), as well as trade and other accounts receivable (Note 14). In general terms, the Group holds its cash and cash equivalents in entities with a high credit rating and part of its trade and other accounts receivable are guaranteed by deposits, bank guarantees and advance payments by tour operators.

The Group has no significant concentration of third-party credit risk due to the diversification of its financial investments as well as to the distribution of trade risks with short collection periods among a large number of customers.

The Group has formal procedures for detecting objective evidence of impairment in trade receivables for the provision of services. As a result of these, significant delays in payment terms and the methods to be followed in estimating the impairment loss based on individual analyses are identified. Impairment of trade receivables from customers for the provision of services at 31 December 2020 amounted to 9,025 thousand euros (7,100 thousand euros at 31 December 2019) (Note 14) and customer balances not included in this provision have sufficient credit quality and, therefore, with this provision, the credit risk of these trade receivable is considered covered.

Interest rate risk

The Group's financial assets and liabilities are exposed to fluctuations in interest rates, which may have an adverse effect on its results and cash flows. In order to mitigate this risk, the Group has established policies and has part of its debt at fixed interest rates through the issue of guaranteed convertible senior bonds. At 31 December 2020, approximately 39% of the gross borrowings was tied to fixed interest rates (excluding leasing liabilities).

In accordance with reporting requirements set forth in IFRS 7, the Group has conducted a sensitivity analysis on possible interest-rate fluctuations in the markets in which it operates, based on these requirements.

Through the sensitivity analysis, taking as a reference the outstanding amount of that financing that has variable interest, we estimated the increase in the interest that would arise in the event of a rise in the reference interest rates.

- If the increase in interest rates were 25 bp, the financial expense would increase by 1,544 thousand euros plus interest.
- If the increase in interest rates were 50 bp, the financial expense would increase by 3,088 thousand euros plus interest.
- If the increase in interest rates were 100 bp, the financial expense would increase by 6,176 thousand euros plus interest.

The results in equity would be similar to those recorded in the income statement but taking into account their tax effect, if any.
Lastly, the long-term financial assets set out in Note 13 of this annual report are also subject to interest-rate risks.

Exchange rate risk

The Group is exposed to exchange-rate fluctuations that may affect its sales, results, equity and cash flows. These mainly arise from:

- Investments in foreign countries (essentially Mexico, Argentina, Uruguay, Colombia, Chile, Ecuador, the Dominican Republic, Brazil, Panama and the United States).
- Transactions made by Group companies operating in countries whose currency is other than the euro (essentially Mexico, Argentina, Uruguay, Colombia, Chile, Ecuador, the Dominican Republic, Venezuela, Brazil, the United States and the United Kingdom).

In this respect, the detail of the effect on the currency translation difference of the main currencies in 2020 was as follows:

	Thousands of euros	
	Currency translation difference	Changes with respect to 2019
Uruguayan peso	(4,647)	(2,023)
Mexican peso	(22,207)	(5,611)
Colombian peso	(32,498)	(7,977)

The changes in the currency translation difference of the above currencies was mainly due to the movements in exchange rates between 31 December 2020 and 31 December 2019:

Year-end euro reference exchange rate	2020	2019	Variation
Uruguayan peso	0,019240	0,023800	(19.16%)
Mexican peso	0,040960	0,047120	(13.07%)
Colombian peso	0,000240	0,000270	(11.11%)

As can be observed in the table, the movements in the exchange rate of the currencies with respect to the end of the previous year is in line with the changes in equity associated with these currencies.

Below is a detail of the movements in the average exchange rate between 2020 and 2019 of the aforementioned currencies:

Average euro reference exchange rate in the year	2020	2019	Variation
Uruguayan peso	0,020840	0,025360	(17.82%)
Mexican peso	0,040790	0,046390	(12.07%)
Colombian peso	0,000240	0,000270	(11.11%)

For these currencies an analysis was carried out to determine if it would be better to apply a monthly average or cumulative average exchange rate, and no significant difference resulted from this analysis.

Liquidity risk

Exposure to adverse situations in debt or capital markets could hinder or prevent the Group from meeting the financial needs required for its operations and for implementing its Strategic Plan.

Management of this risk is focused on thoroughly monitoring the maturity schedule of the Group's financial debt, as well as on proactive management and maintaining credit lines that allow forecast cash needs to be met.

The Group's liquidity position at 31 December 2020 is based on the following points:

- The group had cash and cash equivalents amounting to 320,851 thousand euros.
- Available undrawn credit facilities of 25,000 thousand euros (Note 18).

The capacity of the business units to generate positive cash flows from operations.

Lastly, the Group makes cash flow forecasts on a systematic basis for each business unit and geographical area in order to assess their needs. This Group liquidity policy ensures payment undertakings are fulfilled without having to request funds at onerous conditions and allows its liquidity position to be monitored on a continuous basis.

32.- EVENTS AFTER THE REPORTING PERIOD

On 12 February 2021, the Group informed the workers of its central and corporate services in Spain of its intention to begin collective redundancies. The documentation that will make up the corresponding file will be transferred in a timely manner to both the labour authority and to the Committees that are set up for the negotiations. The conditions and the number of those affected will be subject to negotiation. All of this happens in accordance with the provisions of Article 51 of Royal Legislative Decree 2/2015, of 23 October which approves the Consolidated Text of the Workers' Statute Law and Royal Decree 1483/2012, of 29 October that approves the Regulations for the Procedures for Collective Redundancy and Suspension of Contracts and Reduction of Working Hours.

APPENDIX I: SUBSIDIARIES

The data on the Parent company's subsidiaries at 31 December 2020 are presented below:

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Airport Hotel Frankfurt-Raunheim, GmbH & Co.	Munich	Real Estate	94%	94%
Artos Beteiligungs, GmbH	Munich	Holding	100%	100%
Astron Immobilien, GmbH	Munich	Holding	100%	100%
Astron Kestrell, Ltd.	Plettenberg Bay	Hotel Business	100%	100%
Atlantic Hotel Exploitatie, B.V.	Den Haag	Hotel Business	100%	100%
Chartwell de México, S.A. de C.V.	Mexico D.F.	Hotel Business	100%	100%
Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.	Coatzacoalcos	Hotel Business	100%	100%
City Hotel, S.A.	Buenos Aires	Hotel Business	50%	50%
Columbia Palace Hotel, S.A.	Montevideo	Hotel Business	100%	100%
Nhow london, Ltd.	London	Hotel Business	100%	100%
Coperama Holding, S.L.	Madrid	Procurement platform	100%	100%
DAM 9 B.V.	Amsterdam	Holding	100%	100%
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	100%	100%
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.	Mexico D.F.	Hotel Business	50%	50%
Expl. Mij. Hotel Best, B.V.	Best	Hotel Business	100%	100%
Expl. mij. Hotel Doelen, B.V.	Amsterdam	Hotel Business	100%	100%
Expl. Mij. Hotel Naarden, B.V.	Naarden	Hotel Business	100%	100%
Expl. mij. Hotel Schiller, B.V.	Amsterdam	Hotel Business	100%	100%
Exploitatiemaatschappij Caransa Hotel, B.V.	Amsterdam	Inactive	100%	100%
Franquicias Lodge, S.A. de C.V.	Mexico D.F.	Hotel Business	100%	100%
Gran Círculo de Madrid, S.A.	Madrid	Food and beverage	99%	99%
Grupo Hotelero Monterrey, S.A. de C.V.	Mexico D.F.	Hotel Business	100%	100%
Grupo Hotelero Queretaro, S.A. de C.V.	Queretaro	Hotel Business	69%	69%
Heiner Gossen Hotelbetrieb, GmbH	Mannheim	Hotel Business	100%	100%
The Marker Anantara Ltd.	Dublin	Holding	100%	100%
GCS Hotel Ltd.	Dublin	Hotel Business	100%	100%
NH Cash Link, S.L.	Madrid	Financing	100%	100%
HEM Atlanta Rotterdam, B.V.	Hilversum	Hotel Business	100%	100%
HEM Epen Zuid Limburg, B.V.	Wittem	Hotel Business	100%	100%
HEM Forum Maastricht, B.V.	Maastricht	Hotel Business	100%	100%
HEM Jaarbeursplein Utrecht, B.V.	Utrecht	Hotel Business	100%	100%
HEM Janskerkhof Utrecht, B.V.	Hilversum	Hotel Business	100%	100%
HEM Marquette Heemskerk, B.V.	Hilversum	Hotel Business	100%	100%
HEM Onderlangs Arnhem, B.V.	Arnhem	Hotel Business	100%	100%
HEM Spuistraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
HEM Stadhouderskade Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
HEM Van Alphenstraat Zandvoort, B.V.	Hilversum	Hotel Business	100%	100%

All companies end the year on 31/12/2020

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Highmark Geldrop, B.V.	Geldrop	Hotel Business	100%	100%
Highmark Hoofddorp, B.V.	Hoofddorp	Hotel Business	100%	100%
Hispana Santa Fe, S.A. de C.V.	Mexico D.F.	Hotel Business	50%	50%
Hotel Aukamm Wiesbaden, GmbH & Co.	Munich	Real Estate	94%	94%
Hotel de Ville, B.V.	Groningen	Hotel Business	100%	100%
Hotel Expl. Mij Amsterdam Noord, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij Leijenberghlaan Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel expl. mij. Capelle a/d Ijssel, B.V.	Capelle a/d Ijssel	Hotel Business	100%	100%
Hotel expl. mij. Danny Kayelaan Zoetermeer, B.V.	Hilversum	Hotel Business	100%	100%
Hotel expl. mij. Stationsstraat Amersfoort, B.V.	Amersfoort	Hotel Business	100%	100%
Hotel Holding Onroerend Goed d'Vijff Vlieghen B.V.	Hilversum	Hotel Business	100%	100%
Hotelera de la Parra, S.A. de C.V.	Mexico D.F.	Hotel Business	100%	100%
Hotelera Lancaster, S.A.	Buenos Aires	Hotel Business	50%	50%
Hotelera de Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Inversiones Chilenas, S.A.S	Bogotá	Hotel Business	98%	98%
Gestora hotelera del siglo XXI, S.A.	Barcelona	Hotel Business	100%	100%
Hotelexploitatiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotels Bingen & Viernheim, GmbH & Co.	Munich	Real Estate	94%	94%
Inmobiliaria y financiera Chile S.A.	Santiago de Chile	Real Estate	100%	100%
Jan Tabak, N.V.	Bussum	Hotel Business	83%	83%
JH Belgium, S.A.	Brussels	Hotel Business	100%	100%
JH Deutschland, GmbH	Colonia	Hotel Business	100%	100%
JH Holland, N.V.	Amsterdam	Hotel Business	100%	100%
JH USA, Inc.	Wilgminton	Hotel Business	100%	100%
Koningshof, B.V.	Veldhoven	Hotel Business	100%	100%
Krasnapolsky Belgian Shares, B.V.	Hilversum	Holding	100%	100%
COPERAMA Benelux, B.V.	Amsterdam	Procurement platform	100%	100%
Krasnapolsky Hotels & Restaurants, N.V.	Amsterdam	Holding	100%	100%
Krasnapolsky Hotels, Ltd.	Somerset West	Hotel Business	100%	100%
Krasnapolsky ICT, B.V.	Hilversum	Inactive	100%	100%
Krasnapolsky International Holding, B.V.	Amsterdam	Holding	100%	100%
Latina Holding S.A.U.	Buenos Aires	Holding	100%	100%
Latina Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Latina de Gestión Hotelera, S.A.	Buenos Aires	Hotel Business	100%	100%
Latinoamericana de Gestion Hotelera, S.L.	Madrid	Holding	100%	100%
Leeuwenhorst Congress Center, B.V.	Noordwijkerhout	Hotel Business	100%	100%
Liberation Exploitatie, B.V.	Sprang Capelle	Hotel Business	100%	100%
Marquette Beheer, B.V.	Hilversum	Real Estate	100%	100%
Museum Quarter, B.V.	Hilversum	Hotel Business	100%	100%

All companies end the year on 31/12/2020

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Nacional Hispana de Hoteles, S.A.	Mexico D.F.	Hotel Business	100%	100%
Aguamarina S.A.	Dominican Republic	Business services	100%	100%
NH Atardecer Caribeño, S.A.	Madrid	Business services	100%	100%
NH Belgium, cvba	Diegem	Holding	100%	100%
NH Caribbean Management, B.V.	Hilversum	Management	100%	100%
NH Central Europe Management, GmbH	Berlin	Hotel Business	100%	100%
NH Central Europe, GmbH & Co. KG	Berlin	Hotel Business	100%	100%
NH Central Reservation Office, S.A.	Madrid	Call Center	100%	100%
NH Finance, S.A.	Luxembourg	Financing	100%	100%
NH Financing Services S.a r.l.	Luxembourg	Financing	100%	100%
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	90%	90%
NH Europa, S.A.	Barcelona	Hotel Business	100%	100%
NH Hotelbetriebs.-u. Dienstleistungs, GmbH	Berlin	Hotel Business	100%	100%
NH Hotelbetriebs-u Entwicklungs, GmbH	Berlin	Hotel Business	100%	100%
NH Hoteles Austria, GmbH	Vienna	Hotel Business	100%	100%
NH Hoteles Deutschland, GmbH	Berlin	Hotel Business	100%	100%
NH Hoteles España, S.A.	Barcelona	Hotel Business	100%	100%
NH Hoteles France S.A.S.U.	France	Hotel Business	100%	100%
NH Hoteles Switzerland GmbH	Fribourg	Hotel Business	100%	100%
NH Hotels Czequia, s.r.o.	Prague	Hotel Business	100%	100%
NH Hotels Polska, Sp. Zo.o.	Poland	Hotel Business	100%	100%
NH Hotels USA, Inc.	Houston	Hotel Business	100%	100%
NH Hungary Hotel Management, Ltd.	Budapest	Hotel Business	100%	100%
NH Lagasca, S.A.	Madrid	Hotel Business	75%	75%
NH Las Palmas, S.A.	Gran Canaria	Hotel Business	75%	75%
NH Marin, S.A.	Barcelona	Hotel Business	50%	50%
NH Private Equity, B.V.	Luxembourg	Hotel Business	100%	100%
NH Hotel Rallye Portugal, Lda.	Portugal	Hotel Business	100%	100%
NH The Netherlands, B.V. (vh GTI, B.V.)	Hilversum	Holding	100%	100%
Nhow Rotterdam, B.V.	Den Haag	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Diegem N.V.	Diegem	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Eindhoven B.V.	Hilversum	Hotel Business	100%	100%
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	100%	100%
Objekt Leipzig Messe, GmbH & Co.	Munich	Real Estate	94%	94%
Olofskapel Monumenten, B.V.	Amsterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Capelle aan den Ijssel, B.V.	Capelle a/d Ijssel	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Ijsselmeerweg Naarden, B.V.	Naarden	Real Estate	100%	100%

All companies end the year on 31/12/2020

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real Estate	100%	100%
Operadora Nacional Hispana, S.A. de C.V.	Mexico D.F.	Hotel Business	100%	100%
Palatium Amstelodamum, N.V.	Amsterdam	Hotel Business	100%	100%
Restaurant D'Vijff Vlieghen, B.V.	Amsterdam	Food and beverage	100%	100%
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.	Monterrey	Hotel Business	100%	100%
Servicios Corporativos Hoteleros, S.A. de C.V.	Mexico D.F.	Hotel Business	100%	100%
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	Mexico D.F.	Hotel Business	100%	100%
Nhow Amsterdam, B.V.	Utrecht	Inactive	100%	100%
Toralo, S.A.	Montevideo	Hotel Business	100%	100%
VSOP VIII, B.V.	Groningen	Hotel Business	50%	50%
NH Wilhelminakade Holding B.V.	Northern Europe	Hotel Business	100%	100%
Coperama Spain, S.L.	Madrid	Procurement platform	100%	100%
Hoteles Royal, S.A.	Bogota	Holding	98%	98%
Eurotels Chile S.A.	Chile	Holding	98%	98%
Hotelera Norte Sur S.A	Chile	Real Estate	98%	98%
Hoteles Royal del Ecuador S.A. Horodelsa	Quito	Hotel Business	54%	54%
HR Quántica SAS	Bogota	Hotel Business	50%	51%
Inmobiliaria Royal S.A	Chile	Real Estate	66%	67%
Royal Hotels Inc.	USA	Hotel Business	98%	98%
Royal Hotels International Latin América Inc	USA	Hotel Business	98%	98%
Royal Santiago Hotel S.A.	Chile	Hotel Business	66%	67%
Sociedad Hotelera Cien Internacional S.A.	Bogota	Hotel Business	63%	64%
Sociedad Hotelera Cotopaxi S.A.	Quito	Hotel Business	54%	54%
Sociedad Operadora Nh Royal Panama S.A.	City of Panama	Hotel Business	98%	98%
NH Italia, S.p.A.	Milan	Hotel Business	100%	100%
Immo Hotel Bcc N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Belfort N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Brugge N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Diegem N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Gent N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Gp N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Stephanie N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Mechelen N.V.	Diegem	Real Estate	100%	100%
NH Management Black Sea Srl	Bucharest	Hotel Business	100%	100%

All companies end the year on 31/12/2020

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
NH Brasil Abrasil Administraçao De Hoteis E Participadas Ltda.	Villa Olímpica	Hotel Business	100%	100%
Capredo Investments, GmbH	Switzerland	Holding	100%	100%
Palacio de la Merced, S.A.	Burgos	Hotel Business	88%	88%
Latinoamericana Curitiba Administraçao De Hoteis Ltda	Curitiba	Hotel Business	100%	100%
NH Italia Real Estate, S.r.l.	Milan	Real Estate	100%	100%
NH Holding, S.r.l.	Milan	Holding	100%	100%
Coperama Italia S.r.l.	Milan	Procurement platform	100%	100%
Coperama Central Europe Gmbh	Berlin	Procurement platform	100%	100%
Iberinterbrokers, S.L.	Barcelona	Services supplier	75%	75%
Coperama Colombia, S.A.S	Bogotá	Procurement platform	100%	100%
Coperama Mexico S.A. de C.V.	Mexico D.F.	Procurement platform	100%	100%
Wilan Ander, S.L.	Madrid	Hotel Business	100%	100%
Wilan Huel, S.L.	Madrid	Hotel Business	100%	100%
NH Strandgade APS	Copenhagen	Hotel Business	100%	100%
NH Italia Real Estate, S.r.l.	Italy	Real Estate	100%	100%
NH Holding Srl	Italy	Holding	100%	100%
Hungarian Opco New York Palace K.F.T.	Hungary	Hotel Business	100%	100%
Italian OpCo Roco Hospitality Group, S.R.L.	Italy	Hotel Business	100%	100%
Czech Opco AGAGA, s.r.o.	Czech Republic	Hotel Business	100%	100%

All companies end the year on 31/12/2020

ANEXO II: ASSOCIATED COMPANIES

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Borokay Beach, S.L.	Madrid	Hotel business	50%	50%
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico D.F.	Hotel business	10%	10%
Servicios Corporativos T2, S.A. DE C.V	Mexico D.F.	Hotel business	10%	10%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel business	27%	27%
Gente con actitud de servicios gecase, S.A. De C.V.	Puebla	Hotel business	27%	27%
Mil Novecientos Doce, S.A. de C.V.	Mexico	Hotel business	25%	25%
Servicios Corporativos 1912, S.A. DE C.V	Mexico	Hotel business	25%	25%
Kensington Hotel Value Added I, Ltd	London	Hotel business	30%	30%
Sotocaribe, S.L.	Madrid	Holding	36%	36%
Hotelera del Mar, S.A.	Mar de Plata	Hotel business	20%	20%

All companies end the year on 31/12/2020

CONSOLIDATED MANAGEMENT REPORT

For the financial year ending 31 December 2020

EVOLUTION OF BUSINESS AND GROUP'S SITUATION

NH Hotel Group is an international hotel operator and one of the leading urban hotel companies worldwide in terms of number of rooms. The Group operates 361 hotels and 55,371 rooms in 29 countries, and has a significant presence in Europe.

The centralised business model allows it to offer a consistent level of service to its customers in different hotels in different regions. The corporate headquarters and regional offices offer hotels a wide range of functions such as sales, reservations, marketing and systems.

Following the start of the Covid-19 pandemic in the first quarter of 2020, available economic data points to an unprecedented decline in global activity. Covid-19 has paralysed the world and tourism is one of the most affected economic sectors. In several regions of the world, borders remain closed to tourism and the Covid-19 pandemic continues to spread. Even when the worst seems to be over, the threat of further outbreaks is ever present.

Consumption and demand for services have declined sharply due to social distancing, lockdown, drastic loss of income and weakening consumer confidence. Mobility continues to be subdued and continues to be low in comparison to levels prior to the virus appearing.

Therefore, during 2020, due to the economic crisis caused by the Covid-19 pandemic, the global economy decreased -3.5%, compared to growth of +2.8% in the previous year (Data and estimates from the IMF's "World Economic Outlook", January 2021). The global economy is beginning to leave the minimums it fell into during the Great Lockdown in April behind. However, as the Covid-19 pandemic is continuing to spread, many countries have slowed down reopening and are once again imposing partial lockdowns to protect susceptible populations. Although China recovered more quickly than expected, the long road that must be taken by the global economy to pick up the levels of business prior to the pandemic is still susceptible to drawbacks.

Therefore, the European Union has estimated +5.5% growth of world economic activity in 2021. More specifically in the Eurozone, the provisional growth rate for 2020 was -7.2% (+1.3% in 2019) and growth is expected to be +4.2% in 2021. The rates in the four countries that bring the greatest proportion of the Group's sales and profits show rates of decline in 2020: Spain (-11.1% in 2020 vs. +2.0% in 2019), Holland (-5.4% in 2020 vs. +1.7% 2019), Germany (-5.4% in 2020 vs. +0.6% in 2019), and Italy (-9.2% in 2020 vs. +0.3% in 2019). On the other hand, the decrease in Latin America was -7.4% in 2020 (vs. +0.2% in 2019) as all the economies as a whole have suffered the consequences created by Covid-19. Uncertainty about health and economic policy, aggravated by the moderate prices of raw materials, have given rise to a sharp fall in economic activity in 2020 and have also affected the prospect of a rapid rebound.

World tourism recorded its worst year in 2020, with a fall of 74% in international arrivals, according to the latest data from the World Tourism Organisation (UNWTO). In 2020, destinations all over the world received 1 billion fewer international arrivals than the previous year, due to an unprecedented crash in demand and the general restrictions on travel. By comparison, the decline recorded during the 2009 global economic crisis was 4%.

According to the latest World Tourism Barometer from the UNWTO, the crash in international travel represents estimated losses of 1.3 billion dollars in export income. This figure is more than eleven times the losses recorded during the 2009 global economic crisis. The crisis has put between 100 and 120 million direct tourism jobs at risk, many of them in small and medium enterprises.

In 2020, Spain recorded a decrease of 70% in the number of arrivals, in spite of a small, brief upturn in the summer of 2020. The region suffered the greatest drop in absolute terms, with a decrease of more than 500 million tourists in 2020. The Americas recorded a 69% drop in international arrivals, with slightly better results in the last quarter of the year.

Given the constant evolution of the pandemic, many countries have been reintroducing stricter restrictions on travel since the beginning of the year. The steps taken include compulsory tests, quarantines and, in some cases, complete border closure, all of which makes it difficult to resume international travel. At the same time, it is to be hoped that the gradual arrival of vaccines against Covid-19 help to reinstate consumer confidence, ease travel restrictions and that travel slowly gets back to normal during 2021.

It is worth noting the Company's solid position with which to deal with the current situation after its operational and financial transformation in previous years. The excellent performance of the group in recent years is the result of a complete transformation within the group, particularly brand segmentation, portfolio optimisation, significant investment in repositioning and systems, the focus on efficiency and cost control, and the reduction of financial indebtedness.

The embodiment of an NH Hotel Group value proposition based on the improvement of quality, experience and brand architecture with the NH Collection, NH Hotel and nhow brands are a reality today in the Group. In this ongoing improvement of the customer experience, "Fastpass", a combination of three innovative services (Check-in Online, Choose Your Room and Check-out Online) was launched in 2019, which gives customers full control over their stay. In this respect, NH Hotel Group has become the first European chain to offer these three services simultaneously. A new service, "City Connection", has been launched where you can enjoy the city without limits. Under the slogan "Stay in one hotel, enjoy them all", the NH Hotel Group offered a range of services that allow customers to enjoy them in any hotel in the city they are in, regardless of the hotel they are staying in for the duration of their stay.

The NH Hotel Group continues to be at the forefront of innovation. The Group's Digital Transformation has allowed processes and systems to be made more efficient, increasing the capacity to be different from the competition, and continue improving the Company's basic processes. One of the greatest achievements therefore has been to centralise all its properties and functions into a single integrated system. This allows the NH Hotel Group to have a fully-integrated digital platform: NH Digital Core Platform. A pioneering technological solution in the sector that has allowed all the Group's hotel's systems to be integrated which has become the basis for the NH Hotel Group to expand its customer knowledge, maximise its efficiency and innovate on a large scale in all its value areas.

In its use of quality indicators, the NH Hotel Group focuses on measuring quality using new sources of information and surveys with a significant increase in the volume of reviews and number of assessments received. Its average score on TripAdvisor in 2020 was 8.5, compared to 8.4 in December 2019. Additionally, its average Google Reviews score was 8.7, compared with 8.6 in December 2019. These average scores demonstrate the high levels of quality perceived by customers and the positive growth trend that the NH Hotel Group has had throughout the year.

The NH Rewards loyalty programme has also reached 9.8 million members (9.5 million in 2019) and is one of the most comprehensive rewards schemes worldwide.

On the other hand, in 2020, the Group started operating 11 new hotels in the following destinations: London, Amsterdam, Verona, Rome, Florence, Venice, Budapest, Prague and Tozeur. As a whole, all the openings in the year contribute 1,966 rooms and, as a result, the Group now has 361 hotels with 55,371 rooms at 31 December 2020.

These openings include the hotels in the agreement reached on 07 September 2020 with Covivio, one of the leading European real estate investors, to operate a unique portfolio of 8 high-end hotels previously belonging to the renowned Boscolo portfolio, located in privileged locations in Rome, Florence, Venice, Nice, Prague and Budapest. This portfolio will be operated by the NH Hotel Group under a sustainable variable rental contract with a guaranteed minimum that includes a loss protection mechanism and extension rights at NH's option. Most of the hotels will be converted to the Anantara and NH Collection brands after carrying out an in-depth repositioning programme in all properties promoted by Covivio over the coming months.

The Group also signed-up 2 new hotels with 487 bedrooms in 2020. These sign ups were on a rental basis in Copenhagen and under management in Tozeur. The sign ups were under the NH Collection brand and the luxury brand Anantara, respectively.

Revenues in 2020 totalled 536.2 million euros, a drop of -68.6% (-1,172.0 million euros). The Profit for the year attributable to the Parent was -437.2 million euros compared with 90.0 million euros in 2019. This decrease is wholly explained by the impact of Covid-19 on business since March.

In this year gross borrowing increased from 455.6 million euros in December 2019 to 998.1 million euros in December 2020. At 31 December 2020, cash and cash equivalents amounted to 320.9 million euros (289.3 million euros at 31 December 2019). Additionally, this liquidity was complemented by credit lines at the end of the year amounting to 25.0 million euros, compared to 306.1 million euros at 31 December 2019, of which 250 million euros corresponded to a long-term syndicated credit line (fully drawn down at the close of the 2020 financial year).

During 2020, rating agencies updated their outlooks on companies in the sector after the impact of Covid-19. Moody's set NH Hotel Group's rating at 'B3' with a stable outlook from 'B1', reflecting the impact of the Coronavirus outbreak. Fitch lowered it from 'B' to 'B-' due to the impact of the pandemic on the sector and in line with applying its parent and subsidiary rating linkage criteria. It should be noted that both agencies have stated that NH has sufficient liquidity to deal with the current crisis.

As a result of the public offering on 31 October 2018, Minor currently owns 369,165,609 shares in NH Hotel Group, S.A. representing 94.13% of its share capital. Since then, both companies have begun to explore joint value creation opportunities for the coming years.

Minor Hotels and NH Hotel Group have integrated their brands under a single corporate umbrella present in more than 50 countries around the world. In this way, a portfolio of more than 500 hotels under eight brands is organised: NH Hotels, NH Collection, nhow, Tivoli, Anantara, Avani, Elewana and Oaks, which completes a wide and diverse spectrum of hotel proposals connected to the needs and desires of global travellers.

Both groups currently share their knowledge base and experience in the sector in order to materialise short-term opportunities, taking advantage of the complementarity of their hotel portfolios to define a global sales strategy, the implementation of economies of scale with a broader customer base, explore development pathways for all their brands in different geographical areas and access to shared talent.

Covid-19 impact and the measures implemented

After the start of the Covid-19 pandemic in the middle of March in Europe, demand for hotels dropped drastically due to lockdowns, travel restrictions and social distancing, which drastically affected mobility.

During the months of lockdown, isolation and intense confinement from March until the end of May, around 95% of our hotels were closed and those which remained open were for charitable purposes. As a result, the second quarter was the quarter most affected by an extremely low level of demand.

The hotels' gradual reopening began at the end of May and was done progressively depending on recovery of demand and with a focus on optimising profitability. In June, around 60% of the hotel portfolio was open, 70% in July, and around 80% at the end of August and September.

The smooth reopening of the hotels since June, after the portfolio was closed in March due to the intense lockdown, enabled the attraction of national customers during the third quarter. The reopening, in spite of the low level of demand due to mobility restrictions, was possible because of the flexible cost structure.

In 2020 NH Hotel Group put "Feel Safe at NH" into place in all its hotels. This is a new plan, with measures approved by experts, to face up to the health crisis caused by the SARS-CoV-2 coronavirus. The Company has reviewed all its procedures and made nearly 700 adaptations to its operating standards to preserve the health and safety of travellers and employees worldwide. Grouped into 10 main lines of action and backed by specialists in different fields, the measures implemented cover the digitisation of hotel services, adapting sanitation processes, including social distancing regulations in operations and the application of personal protective equipment, among others. We also reached a collaboration agreement with SGS, the world leader in inspection, analysis and certification, which allows us to follow up on the measurement and diagnostics protocol established to verify that the Group's hotels are clean and safe environments.

As a result of the impact of the second wave of infections in Europe at end of the third quarter, apart from delaying additional reopenings that had been planned for the last months of 2020, hotels were closed once again and, at the end of December 2020, around 60% of the portfolio was open. The impact of the second wave and the stricter restrictions on mobility during the last months of the year resulted in a lower level of business when compared to the third quarter.

In spite of the low level of demand, its flexible operational and financial structure has enabled the Group to overcome the major challenges in 2020. Although the challenges will continue in the first months of 2021, the Group will benefit in the first stage of recovery from brand recognition, excellent locations and strong market positioning, once recovery is spearheaded in Europe.

Contingency Plan

As a result of the exceptional circumstances that occurred after the start of the global pandemic (Covid-19) that is affecting all the countries where the NH Hotel Group operates, the Group implemented different measures and plans to adapt the business and ensure its sustainability with the aim of minimising costs whilst hotels are closed, preserving the Company's liquidity to meet operational needs and ensure that the recovery of the hotel activity is carried out efficiently and under maximum guarantees in terms of health and safety.

Given the lack of visibility on the speed of business's recovery, the following discipline and cost control measures were implemented, and continue to be implemented, to minimise operational expenses and preserve liquidity:

- Personnel: The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons. These processes continued during the second half of 2020, to reduce the work force temporarily, and will continue during the first part of 2021 in various countries.

- Operational costs:
  - Negotiations with suppliers to reduce purchase costs, seek alternative, cheaper products and attain improvements to payment terms.
  - All Group staff travel suspended since early March.
  - Suspension of non-priority third party advisory services.
  - Significant reduction in marketing and advertising costs despite the need to boost income.

- Leases: Temporary reduction in fixed leases from the second quarter based on the health crisis scenario and the restrictions approved by all the governments that impact on essential elements of the business. These negotiations will continue in the first part of 2021.

- Capex: The greater part of investments were stopped, except those that are legally required or in a very advanced stage. Implementation of 2020 Capex (maintenance, refurbishment, systems and new openings) was reduced by around €100m which is a 50% decrease on the original plan for 2020.

- Strengthening liquidity:
  - €275 million of credit lines were drawn down in March.
  - The 2019 dividend proposal of €0.15 per share was withdrawn, as this would have involved an estimated pay out of around 59 million euros.
  - Signing in May of a 3-year syndicated financing agreement for €250 million guaranteed by the ICO.
  - In October the extension of the syndicated credit line maturity date to March 2023 was agreed. It originally matured on September 2021, with a €236 million limit.
  - In addition to the waiver obtained in June 2020 for compliance with the financial covenants included in the syndicated credit line for the months of June and December 2020, unanimous approval from the loan institutions was also obtained by the NH Hotel Group to extend the waiver until June 2021. This waiver until June 2021 also extends to the syndicated loan with the ICO guarantee for €250 million.

Recovery of demand will occur once spread of the virus is tempered and vaccination is extended in the population. The Group will take advantage of its strong positioning in Europe, with excellent locations and high brand recognition, alongside the high weight of domestic demand.

The recovery stage will initially be driven by European domestic demand for leisure, as international mobility will continue to be low in the first stage. The business and corporate segment will take longer to recover, due to the macroeconomic environment and social distancing that restrict the size of events.

Covid-19 has brought forward a large part of the strategic strategies aimed at efficiency. During 2021, once the company has a better view of how demand recovers, the remainder of the initiatives will be defined in a new strategic plan.

ETHICS

Compliance System

Since 2014, NH Hotel Group has deployed a Compliance unit whose scope includes the following key areas:

- Code of Conduct.
- Criminal Risk Prevention Plan.
- Internal Rules of Conduct.
- Procedure for Conflicts of Interest.

Code of conduct

In line with its ethical commitment and the best practices of corporate governance, NH Hotel Group has carried out communication, awareness and training campaigns on Compliance since the last update to the Code of Conduct in 2015. The Group's Board of Directors is responsible for approving the Code of Conduct.

This document affects everybody working at the NH Hotel Group, applicable to employees, managers and members of the Board of Directors of both the Company and its group of companies, and also in certain cases to other stakeholders such as customers, suppliers, competitors and shareholders, and to the communities where NH operates its hotels.

The Code of Conduct summarises the professional behaviour expected of employees, senior management and Board Members of the NH Hotel Group and its group of companies, who commit to acting with integrity, honesty, respect and professionalism in the performance of their work.

The NH Group is committed to compliance with the laws and regulations of the countries and jurisdictions where it operates. This includes, amongst other things, laws and regulations on health and safety, discrimination, taxation, data privacy, competition, prevention of corruption and money laundering, and commitment to the environment.

The Code of Conduct is published in six languages on the official website of the NH Hotel Group, available to all stakeholders. Also, since 2017, NH employees can use the "My NH" app to access the code of conduct from their mobile devices. The staff at centres operating under NH Hotel Group brands also have a handbook and an FAQs document.

The head of Internal Audit manages the Confidential Channel for Complaints. The procedure for managing complaints received via the complaints channel are specified in detail in the Code of Conduct. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation.

Over the course of 2020, there were 38 reports of alleged breaches of the Code of Conduct, all of which were investigated, with appropriate disciplinary measures being taken in 30 cases.

Compliance Committee

In 2014 the NH Hotel Group created a Compliance Committee consisting of certain members of the Management Committee and senior directors. This body is empowered to supervise compliance with the Group's Internal Rules of Conduct, Procedure for Conflicts of Interest, Code of Conduct and Criminal Risk Prevention Plan.

The Compliance Committee supervises the management of the Compliance Office and is empowered to impose disciplinary measures on employees in matters within its scope.

In the course of 2020, there were three meetings of the Compliance Committee.

The Company has decided to roll out its crime prevention model to other countries (Germany, Holland, Belgium, United Kingdom, Colombia, Mexico and Argentina), having constituted local Compliance Committees in the Business Units covering the aforementioned countries.

Compliance Office

The Compliance Office, led by the Group's head of Compliance, is responsible for disseminating and supervising compliance with the Code of Conduct and for drafting the Criminal Risk Prevention Plan. The Compliance Office reports directly to the Compliance Committee.

Anti-Corruption and Fraud Policy

NH Hotel Group has an anti-corruption and fraud policy which was initially approved by the Board of Directors in January 2018 and amended in May 2019. The general principles of the Anti-Corruption and Fraud Policy are:

- Zero tolerance of bribery and corruption in the private and public sectors
- Behaviour must be appropriate and legal
- Transparency, integrity and accuracy in financial information
- Regular internal control
- Local legislation shall take precedence if stricter

Drawing up of the anti-money laundering policy

NH's Code of Conduct reflects a commitment to respect the applicable regulations on anti-money laundering policy, with special attention to diligence and care in the processes of evaluating and selecting suppliers, and in payments and collections in cash. Therefore, the Compliance Committee meeting of 19 December 2018 approved a policy that reinforces NH Hotel Group's commitment to anti-money laundering and combating the financing of terrorism, with the aim of detecting and preventing NH Hotel Group, S.A. and its group companies from being used in money laundering or terrorist financing operations. Said Policy was approved by the Board on 13 May 2019.

The aforementioned Policies have been duly communicated to all Group employees and the corresponding online training has been made available to ensure their disclosure and understanding.

RISK MANAGEMENT

Risk management governance

The Company's Board of Directors is responsible for overseeing the risk management system, in line with the provisions of Article 5 of the Regulation of the Board of Directors. As regulated by Section 3 of article 25 b) of the Regulation of the Company's Board of Directors, the Audit and Control Committee supports the Board of Directors in supervising the effectiveness of the internal control, internal audit and the risk management systems, including tax risks. In this regard, carried out during the various meetings held in 2020 were control and monitoring of the Company's main risks, their evolution in recent years and the main mitigation and response measures.

On the other hand, amongst other functions, the Company's Management Committee manages and controls risks based on risk tolerance, assigns ownership of the main risks, periodically monitors their evolution, identifies mitigation actions as well as defining response plans. For these purposes, the Executive Risk Committee, made up from members of the Management Committee and Senior Executives, supports the Management Committee in such oversight, as well as promoting a culture of risks in the Company. For them, the Company has an internal risk management manual that details the principles, processes and controls in place.

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives. To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party has reviewed its operation annually for the last two years.

As an additional guarantee of independence, Risk Management is independent of the Business Units and, as with Internal Audit, it maintains a functional reporting line to the Audit and Control Committee.

In line with the above, NH follows the Three Lines model published in July 2020 by the Global IIA:

a. First line: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).
b. Second line: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
c. Third line: carried out by Internal Audit that affords independent assurance.

The NH Hotel Group's Corporate Risk Management Policy (approved by the Board of Directors in 2015), as well as the internal manual that implements it, aim to define the basic principles and the general framework of action to identify and control all types of risks that may affect the companies over which the NH Hotel Group has effective control, as well as ensuring alignment with the Company's strategy.

Risk management model

NH Hotel Group's risk management system, rolled out at Group level, aims to identify events that may negatively affect achievement of the objectives of the Company's Strategic Plan, providing the maximum level of assurance to shareholders and stakeholders and protecting the group's revenue and reputation.

The risk management model is based on the integrated COSO IV ERM (Enterprise Risk Management) framework, and includes a set of methodologies, procedures and support tools that allow the NH Hotel Group:

1. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
2. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.
3. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives to identify measures to mitigate these risks, as well as establish action plans based on the Company's tolerance to risk.
4. To follow-up on the action plans established for the main risks, within a continuous improvement model framework.

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. The Company updated its Risk Map in 2020 through a process in which 22 Senior Executives identified and assessed the main risks faced by the Company. This Map was approved by the Board of Directors at its meeting on 29 July 2020.

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee. Each risk owner is responsible for mitigation measures, either existing or in progress, for their risks and the implementation status of action plans.

Each year, coinciding with the update of the Risk Map, Risk Management is responsible for reassessing the risk catalogue, both financial and non-financial. The final catalogue is validated with the Senior Executives who take part in the process, as well as with the bodies involved in its validation (Management Committee, Executive Risk Committee and Audit and Control Committee) and approval (Board of Directors). Additionally, Risk Owners can report/suggest a new risk to the Risk Office during the year.

In general, the risks to which the Group is exposed can be classified into the following categories.

a. Financial Risks: events that affect financial variables (interest rates, exchange rates, inflation, liquidity, debt, credit, etc.).
b. Compliance Risks: arising from possible regulatory changes as well as non-compliance with internal and external regulations.
c. Business Risks: generated by inadequate management of procedures and resources, whether human, material or technological.
d. Risks from External Factors: arising from natural disasters, political instability or terrorist attacks.
e. Systems Risks: events that could affect the integrity, availability or reliability of operational and financial information.
f. Strategic Risks: produced by difficulty accessing markets and difficulties in asset disinvestment.

Apart from this classification, the Company has identified emerging risks and ESG risks that it particularly monitors (described in the annual non-financial information report).

New data protection plan

Due to the mandatory application of the General Data Protection Regulation (GDPR) in the European Union from May 2018, NH Hotel Group has launched a plan to guarantee compliance with the regulation, included in and aligned with the Transformation Plan.

This new plan includes general privacy measures by default, so that all the company's activities, applications, processes, and projects will take privacy matters into account. The plan includes key initiatives such as the effective management of personal data infringements, the data subject's consent to the gathering and use of their data, and a policy for the destruction of physical or virtual data. The plan also provides for the creation of a Data Protection Officer within the NH Hotel Group.

NH ROOM 4 SUSTAINABLE BUSINESS PILLARS AND COMMITMENT

The NH Hotel Group performs its hotel activity with the ambition of leading responsible behaviours, and creating shared value at an economic, social and environmental level wherever it operates. With this philosophy, in 2020 the Company continued with its strategy, in which one of the pillars is NH ROOM4 Sustainable Business; a key part of the Company's global strategy.

The strategic vision of NH ROOM4 Sustainable Business is, in turn, based on three fundamental management levers: NH ROOM4 People, NH ROOM4 Planet and NH ROOM4 Responsible Shared Success, all of which are framed under the same premise of sustainable and ethical principles, responsible culture and spirit of citizenship.

Convinced it is moving in the right direction to achieve the next sustainability challenges, the Company is aligned with the Sustainable Development Goals (SDGs) to which it can contribute and undertakes to continue creating long-term and global value within the framework of the 2030 Agenda.

A noteworthy milestone for NH Hotel Group in 2020 was participating, for the second time and voluntarily, in the Corporate Sustainability Assessment (CSA) carried out by the sustainable investment agency SAM, gaining 3rd place in the ranking for companies on the Dow Jones Sustainability Index, and standing out as one of the most sustainable leaders in the sector. This result consolidated NH Hotel Group as one of the benchmark companies for sustainability in the industry worldwide, and backs up NH Hotel Group's strength in social, environmental and economic performance. This improvement demonstrated by the Company this year has led it to achieve the Bronze Class recognition in "The Sustainability Yearbook 2021" published by S&P Global, as well as the Industry Mover distinction for registering the greatest improvement in the sector in the last year.

Since 2013, the NH Hotel Group has been listed on the FTSE4GOOD index and renews its presence year after year thanks to the responsible management of the business and the improvements implemented. The index was created by the London Stock Exchange to help investors include environmental, social and governance (ESG) factors into their decision making.

The NH Hotel Group has reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking. With this rating, the NH Hotel Group once again recognises its vision of placing sustainability as a strategic value of the corporation, which has acted as a lever of transversal value for the Group for over a decade.

A demonstration of its commitment to gender equality, NH Hotel Group, for the second year running, was included on the Bloomberg GEI 2021 index, being the only Spanish hotelier in the 380 companies listed in the index.

NH Response

The NH Hotel Group is firmly committed to creating a positive impact where it operates, irrespective of the circumstances in which it finds itself. Due to the exceptional situation the Company finds itself in because of the impact of Covid-19, from the outset of the pandemic the Company identified a series of initiatives to help governments and health authorities and social organisations deal with the crisis.

In this regard, NH Hotel Group made hotels available to authorities so that they could be used to manage 3,373 patients and thereby help to alleviate hospitals. Hotels were also designated as special accommodation for 2,720 health professionals.

Due to the closure of the hotels, it was decided to donate food and staple goods to associations and foundations that NH Hotel Group has collaborated with in the past. Therefore, about 12,400 kg of food from the hotels closed were donated to food banks and soup kitchens, as well as 30,000 amenities kits, 7,000 gloves, 6,000 shower caps, 2,000 rubbish bags, 55 beds and 600 blankets to health centres.

The company joined the #chefsforspain movement launched by chef José Andrés to deliver two million meals through its World Central Kitchen initiative. The NH Hotel Group took part with the kitchens of the Anantara Villa Padierna (Marbella), NH Collection Eurobuilding (Madrid) and NH Collection Finisterre (A Coruña) hotels, where 138,759 meals were cooked to donate to the most vulnerable groups during the crisis.

Currently, the commitment to donating meals continues to run, raising 5,600 meals through the NH Runners initiative: 1km = 1 meal during the "Together with Love" corporate volunteering week.

Human Resources Strategy

Throughout 2020, NH Hotel Group had to act to alleviate the severe consequences of Covid-19 on its business and profits. With this aim, the Company, always with the purpose of protecting employment in the long term as far as possible, launched a contingency plan to temporarily reduce its staff and, as a result, adjust its personnel costs to the reality of the business, with contract suspensions, reductions in working days and other temporary measures taken in accordance with employment legislation in each country.

As part of the NH Hotel Group's Contingency Plan to adapt its operations and ensure business viability, the Company carried out temporary lay-offs and reductions in hours and wages in hotels and central offices due to force majeure or production reasons subject to different closure mandates. 62% of staff, at all levels, were affected by one of these measures. Men and women were equally affected. Even in such an adverse context, NH Hotel Group has sustained its corporate culture and commitment to its values, seeking coherence and fidelity in its current People strategy, convinced that it is what is needed to gain the credibility and trust of its team members, who are the Company's greatest asset.

The initial aim during 2020 was to consolidate key policies and projects within the Company's Human Resources Strategic Plan. However, the Covid-19 crisis involved an about turn for all the planned projects. Throughout the year NH Hotel Group still maintained the focus on its strategic pillars, but rethinking each action and initiative to give them sense and use within the complicated individual, social and corporate context that the pandemic involves:

- Global leadership and talent management: Continue promoting and transmitting leadership within the NH Hotel Group, focusing efforts and investment on internal talent that has the potential to make a difference in the Company's strategy and to become models of our culture.

- Maximum performance and better workplaces: All employees are encouraged to develop and do their best, where high performance is differentiated, recognised and rewarded. Making our employees our best brand ambassadors.

- Transformation and reinvention: Searching for, assessing and leveraging opportunities to be more efficient (outsourcing, digitisation, etc.), evolving our working environment and acquiring advanced analytical and predictive skills.

With this working framework, NH Hotel Group launched a multitude of initiatives to care for its employees in these challenging times. "With You" stands out among them. It is an internal engagement project designed to give the teams tools, advice and training resources to use to strengthen key skills during this phase, not just at professional level, but also to improve their personal well-being. Using "With You", and amongst other actions, NH employees have received content aimed at stress management, have accessed digital kiosks free-of-charge, have had language classes within reach, have been able to collect office material to improve their remote working experience, and have had access to two external, international e-learning platforms: Typsy and GoodHabitz. Both platforms include multiple training resources so that each employee can work on their personal development plan, gain new knowledge and, ultimately, continue investing in their professional growth.

The average number of people employed by the Parent Company and consolidated companies in 2020 is 11,112 employees. The corporate culture of the NH Hotel is also based on the cornerstones of diversity, equality and inclusion. Therefore, employees are 132 different nationalities and, at 31 December 2020, 51% of all staff were women.

Also, the average age of employees in 2020 was 39.7 years old, and their average time with the company is 9.4 years.

Finally, as part of the Company's recovery strategy, Feel Safe at NH is a set of health and safety protocols, certified by safety experts, and implemented in all hotels to guarantee health, safety and social distancing for both guests and team members. Due to the involvement of Hotel Managers and Heads of Department, this situation moved forward and it was ensured that employees took on, followed and implemented the new Health and Safety standards in the hotels in all operations.

Environmental sustainability

For the NH Hotel Group, environmental sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable services. All this minimises our environmental footprint with responsible consumption of natural resources.

The Company's environmental strategy is driven by NH ROOM4 Planet, which defines the roadmap for complying with the commitments acquired in the fight against climate change and progress towards decarbonisation, efficient management and responsible consumption of resources and the circular economy, and developing more sustainable products, but also involving employees, suppliers, shareholders and customers as key players in achieving them.

In order to formalise the extension of these commitments to the entire operation and NH Hotel Group's decision making process, in 2020, at a meeting of the Board of Directors held on 29 July, the new Environmental and Energy Policy was approved.

At NH Hotel Group the fight against climate change is a fundamental strategic value. This is way the Company was the first Spanish hotelier to establish targets for reducing emissions, scientifically validated by the Science Based Targets initiative (SBTi) last year. Therefore, NH Hotel Group formalised its commitment to reduce its carbon emissions by 20% throughout its value chain up to 2030, preventing the emission of more than 70,000 tonnes of CO_2 into the atmosphere. This objective marks NH Hotel Group's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement, and join the efforts that are being made globally towards the transition to a low carbon economy.

NH Hotel Group hotels have and ISO 14001 environmental management system and an ISO 50001 energy efficiency system, certified for accommodation, catering, meetings and events services. At the close of 2020, 47% of the hotels in Germany, Spain and Italy already had ISO 14001 or ISO 50001 certification. There are group hotels that also have other environmental certifications, such as: BREEAM, LEED, Green Key, Hoteles+Verdes. The aim is to have an increasingly large number of hotels with globally recognised environmental certifications that are specific to the tourism sector and approved by the Global Sustainable Tourism Council, the most important body of reference.

The exceptional and irregular operating conditions of the hotels since March and throughout the rest of the year do not reflect the continuity of the environmental achievements achieved since 2007. In absolute terms, the carbon footprint and energy consumption have reduced by 37% compared to 2019 and water extraction by 52%.

NH Hotel Group remains committed to renewable energy, which reduces its carbon footprint. This consumption of green energy, certified as renewable, is available in 100% of our hotels that are consolidated in Spain, Italy, the Netherlands, France and Luxembourg, covering 64% of the total electricity consumed in Europe.

SHARES AND SHAREHOLDERS

NH Hotel Group, S.A. share capital at the end of 2020 comprised 392,180,243 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2020 and 2019 were as follows:

	2020	2019
Minor International Public Company Limited ("MINT")	94.13%	94.13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital of NH Hotel Group, S.A.

The average share price of NH Hotel Group, S.A. in 2020 was 3.58 euros per share (4.57 euros in 2019). The lowest share price of 2.10 euros per share (3.89 euros in January 2019) was recorded in October and the highest share price of 5.34 euros per share in January (5.28 euros in March 2019). The market capitalisation of the Group at the close of 2020 stood at 1,349.10 million euros.

At 31 December 2020, the Group had 103,947 own shares, compared to 374,464 own shares at 31 December 2019. The reduction in treasury shares over the period can be explained by the following movement:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 31 December 2020 is 103,947 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2019, the number of shares assigned to the liquidity contract was 83,176 shares. The negative effect recorded in reserves for operations carried out in the 2020 financial year was 245 thousand euros.

- In the 2020 financial year, the first cycle of the second long-term incentive plan was settled (Note 25). For the settlement of this second cycle a purchase of 110,350 treasury shares was made. The second cycle was settled by the delivery of 401,638 shares. The total impact recorded in equity due to these movements was 1,525 thousand euros.

Liquidity contract for treasury shares management

On 10 April 2019, the NH Board of Directors entered into a liquidity contract to manage its treasury shares with Banco Santander, S.A. The Contract became effective on 11 April 2019.

This contract is in accordance with the liquidity contract model in Circular 1/2017 of 26 April from the National Securities Market Commission on liquidity contracts for the purpose of its acceptance as a market practice.

The total number of shares allocated to the securities account associated with the new Liquidity Contract is 103,947 shares and the amount allocated to the cash account is 400,000 euros.

The Liquidity Contract was agreed upon by the Board of Directors at the proposal of the Proprietary Directors on behalf of the shareholder Minor as a measure to encourage and favour the liquidity of the Company's shares taking the current market conditions into account.

Average period for payment

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

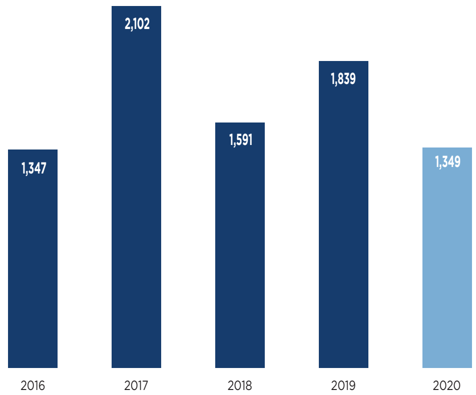
	2020	2019
	Days	
Average period for payment to suppliers	82	63
Ratio of paid transactions	82	63
Ratio of transactions pending payment	96	53
	Amount (Thousand euros)	
Total payments made	194,915	308.812
Total payments pending	**10,226**	**13.732**

The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Commercial Creditors and Other Accounts Payable" item in current liabilities of the consolidated balance sheet.

The average period for payment to suppliers has been calculated, as stated in the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, using the weighted average of the two ratios explained below:

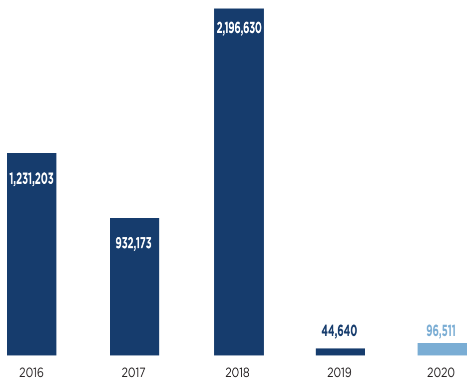
- Ratio of paid transactions: average payment period of transactions paid in each year weighted by the amount of each transaction.
- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

CAPITALISATION (AT THE END OF EACH YEAR)
(Million euros)



During 2020, 24,706,896 shares in NH Hotel Group, S.A. were traded on the Continuous Market (11,383,314 shares in 2019) with average daily share trading on the Continuous Market of 96,511 shares (44,640 shares in 2019).

AVERAGE DAILY TRADING
(In shares)



EVOLUTION NH HOTEL GROUP vs. IBEX 35
1 JANUARY 2016-31 DECEMBER 2020

FUTURE OUTLOOK

Covid-19 has paralysed the world and tourism is one of the most affected economic sectors. In several regions of the world, borders remain closed to tourism and the Covid-19 pandemic continues to spread. The cost to human life, economic losses and social impact continue to increase. Even when the worst seems to be over, the threat of further outbreaks is ever present.

The Covid-19 pandemic impacted economic activity more negatively than expected in 2020 and, according to estimates, the recovery will be more gradual than previously predicted. The latest projections from the International Monetary Fund (IMF; World Economic Outlook) for January suggest an unprecedented decline in global activity due to the Covid-19 pandemic, and point to a fall in global economic growth of -3.5% in 2020.

The recent approval of vaccines has nurtured the hope that the pandemic reaches a turning point later in the year, but the new waves and strains of the virus create concerns about the outlook. In the middle of this exceptional uncertainty, it is projected that the global economy will grow by 5.5% in 2021 and 4.2% in 2022. The projections for 2021 had been revised up by 0.3 percentage points compared to the previous forecast, in the light of the expectations that business with strengthen later in the year due to the vaccines and the additional back up of the policies of some large economies.

The latest survey amongst the UNWTO's group of experts shows different forecasts for 2021: almost half of those surveyed forecast a better panorama in 2021 than in 2020. The general forecasts of an upturn in 2021 seem to have worsened compared to the previous survey.

The UNWTO's group of experts forecast an increase in demand for domestic tourism and "slow travel" experiences. In the longer term, the majority of the experts do not foresee a return to 2019 levels before 2023. The UNWTO extended scenarios for 2021-2024 indicate that international tourism could take between two and a half and four years to return to 2019 levels.

Non-financial Information Statement

The 2020 consolidated Non-Financial Information Statement, issued by the Board of Directors on 24 February 2021, contains all the non-financial information required by Law 11/2018 of 28 December 2018. This document is presented as a separate report, is part of this Consolidated Management Report and is available on the corporate website of the NH Group (https://www.nh-hoteles.es/corporate), within the section on Annual reports included in financial information in the shareholders and investors section and as an appendix of this document.

Annual corporate governance report

The company's Annual Corporate Governance Report, issued pursuant to the provisions of Article 49.4 of the Spanish Code of Commerce can be found from the listing date of this annual report in the NH Group's corporate web (https://www.nh-hoteles.es/corporate/en) and in the CNMV website (www.cnmv.es).

EVENTS AFTER THE REPORTING PERIOD

On 12 February 2021, the Group informed the workers of its central and corporate services in Spain of its intention to begin collective redundancies. The documentation that will make up the corresponding file will be transferred in a timely manner to both the labour authority and to the Committees that are set up for the negotiations. The conditions and the number of those affected will be subject to negotiation. All of this happens in accordance with the provisions of Article 51 of Royal Legislative Decree 2/2015, of 23 October which approves the Consolidated Text of the Workers' Statute Law and Royal Decree 1483/2012, of 29 October that approves the Regulations for the Procedures for Collective Redundancy and Suspension of Contracts and Reduction of Working Hours.

ANNUAL CORPORATE GOVERNANCE REPORT

For listed public limited companies
Identification details of the issuer
End date of 12-month period of reference: 31/12/2020
Tax id code (CIF): A28027944
Company name: NH Hotel Group, S.A.
Registered office: Santa Engracia, 120 - 7ª planta, Madrid.

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED PUBLIC LIMITED COMPANIES

A - OWNERSHIP STRUCTURE

A.1 Fill in the following table regarding the share capital of the Company:

Date of last change	Share capital (€)	Number of Shares	Number of voting rights
09/05/2018	784,360,486,00	392,180,243	392,180,243

Indicate whether there are different shares classes with different associated rights:

NO

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors.

Name or company name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
MINOR INTERNATIONAL PUBLIC COMPANY LTD	0.00	94.13	0.00	0.00	94.13

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
MINOR INTERNATIONAL PUBLIC COMPANY LTD	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	94.13	0.00	94.13

Indicate the most significant movements in the shareholding structure of the company during the year:

Most significant movements

There were no significant movements in the shareholding structure of NH Hotel Group, S.A. in 2020.

A.3 In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR ALFREDO FERNÁNDEZ AGRAS	0.04	0.00	0.00	0.00	0.04	0.00	0.00
MR RAMÓN ARAGONÉS MARÍN	0.02	0.00	0.00	0.00	0.02	0.03	0.00
MR RUFINO PÉREZ FERNÁNDEZ	0.01	0.00	0.00	0.00	0.01	0.02	0.00

% of total voting rights held by the Board Directors	0.07

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
No data					

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are significant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name or company name of related party	Nature of relationship	Brief descriptionn
No data		

A.5 Indicate, where applicable, the commercial, contractual or corporate relationships existing between major shareholders, and the company and/or its group, unless they have little relevance or arise from normal trading activities:

Name or company name of related party	Nature of relationship	Brief descriptionn
No data		

A.6 Describe the relationships, unless significant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Explain, as the case may be, how the significant shareholders are appointed. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
MR KOSIN CHANTIKUL	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Minor International Public Company Ltd is the significant indirect shareholder (94.132%) in NH and has proposed the aforesaid Director. Mr Chantikul is also a director of the Minor group companies as listed in section H of this report.
MR STEPHEN ANDREW CHOJNACKI	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Minor International Public Company Ltd. is an indirect shareholder of NH Hotel Group, S.A. and holds 94.132% of NH Hotel Group via MHG Continental Holding (Singapore) Pte. Ltd. MHG Continental Holding (Singapore) Pte Ltd, exercising its right to proportional representation, has appointed Mr Stephen Andrew Cojnacki as Proprietary director of NH Hotel Group, S.A. Mr Chojnacki is also a Director of MHG Continental Holding (Singapore) Pte Ltd.
MR STEPHEN ANDREW CHOJNACKI	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Mr Stephen Andrew Chojnacki is Chief Commercial Officer and General Counsel of Minor International Public Company Ltd. Mr Chojnacki is also a director of the Minor group companies as listed in section H of this report.
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Minor International Public Company Ltd. is an indirect shareholder in NH Hotel Group, S.A. and, through MHG Continental Holding (Singapore) Pte Ltd, holds 94.132% in NH Hotel Group, S.A. MHG Continental Holding (Singapore) Pte Ltd, in exercising its right of proportional representation, has appointed Mr Rajakarier as a proprietary director of NH Hotel Group, S.A.
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Mr Rajakarier was appointed Group Chief Executive Officer of Minor International Public Company Ltd. with effect from 1 January 2020. He is also a director of the Minor group companies as broken down in section H of this report.
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Minor International Public Company Ltd. is an indirect shareholder in NH Hotel Group, S.A. and, through MHG Continental Holding (Singapore) Pte Ltd, holds 94.132% in NH Hotel Group, S.A. MHG Continental Holding (Singapore) Pte Ltd, in exercising its right of proportional representation, has appointed Mr William Ellwood Heinecke as a proprietary director of NH Hotel Group, S.A.
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Mr William Ellwood Heinecke is Chairman of the Board of Directors of Minor International Public Company Ltd. as well as Chairman of the Executive Management Committee. Finally, note that Mr Heinecke holds the positions in the Minor group companies as broken down in section H of this report.

A.7 Indicate whether the company has been informed of shareholders' agreements which affect it, as established in Articles 530 and 531 of the Capital Companies Act. If so, describe them briefly and list the shareholders bound by the agreement:

NO

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

NO

In the event of any modification or termination of these pacts, agreements or agreed actions during the year, please specify it:

A.8 Indicate whether any individual person or legal entity exercises, or could exercise, control over the Company in accordance with Article 5 of the Stock Market Act. If so, identify them:

YES

Name
MINOR INTERNATIONAL PUBLIC COMPANY LTD

A.9 Fill in the following tables regarding the Company's treasury stock:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	% of total share capital
103,947		0.02

(*) Through:

Name or company name of the direct shareholding	Number of direct shares
No data	

Explain any significant changes during the year:

Explain the significant changes

At 31 December 2020, the Group had 103,947 own shares compared to 374,464 own shares at 31 December 2019. This reduction during the aforementioned period is explained by the following movements:

- At 31 December 2019 the number of shares allotted to the liquidity contract entered into with Santander on 10 April 2019 was 83,176 shares. The effect recorded in reserves for the transactions carried out in the 2020 financial year was -€245,000.
- In the second half of the 2020 financial year a purchase of 110,350 own shares was made.
- Settlement of the first cycle of the second long term incentives plan. Settlement of the first cycle was made by delivery of 401,638 shares, valued at €1,525,000.

A.10 Describe the conditions and the term of the current mandate of the Board of Directors to issue, repurchase or transmit treasury stock, as conferred by the General Shareholders' Meeting.

The General Shareholders' Meeting held on 29 June 2017 authorised the Board of Directors of the Company to repurchase treasury stock under the terms indicated below:

a) The acquisition can be made by any title accepted in Law, once or more times, provided that the acquired shares, added to those the Company already owns, do not exceed 10% of the Company's share capital, together with those owned by other companies in the group, if applicable.

b) The acquisition, including the shares which the Company, or a person acting in their own name but on behalf of the Company, may have acquired beforehand and have in its portfolio, can be made as long as this does not lead to net equity being below the amount of share capital plus the reserves made unavailable by law or the Company's articles of association. For these purposes, net assets shall be considered to be the amount identified as such in accordance with the criteria for preparing annual accounts, less the profits directly attributable to it, and plus the uncalled share capital, as well as the amount of the principal and the share premium that are registered in the accounts as liabilities.

c) The shares must be fully paid up.

d) The authorisation will be valid for 5 years from the day this agreement comes into force.

e) The minimum purchase price will be 95% and the maximum price will be 105% of the listed market value at the close of Spain's continuous market the day before the transaction, and the purchase transactions will adhere to security market regulations and customs.

The shares acquired due to the authorisation can be disposed of or amortised, or used in the payment systems set out in Article 146.a) 3 of the Capital Companies Act.

A.11 Estimated floating capital:

	%
Estimated floating capital	5.87

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

NO

A.13 State whether the General Shareholders' Meeting has agreed to adopt neutralisation measures against take-over bids, pursuant to Law 6/2007.

NO

If so, please explain the measures approved and the terms under which such limitations would cease to apply.

A.14 State if the company has issued shares that are not traded on a regulated EU market

NO

If so, please list each type of share and the rights and obligations conferred on each.

B - GENERAL SHAREHOLDERS' MEETING

B.1 Indicate whether differences exist between the minimum quorum established in the Spanish Capital Companies Act (LSC) and the quorum of the General Shareholder's Meeting. If so, explain these differences.

NO

B.2 Indicate, and if applicable, specify any differences from the system established in the Capital Companies Act (LSC) for adopting company agreements:

NO

B.3 Indicate the regulations applicable to modification of the company articles of association. In particular, note the majorities required for changes to the articles of association and, if any, the regulations governing the protection of shareholders' rights when making changes to the articles of association.

Title VIII, covering Articles 285 - 345, of Royal Decree-Law 1/2010 of 2 July, approving the Revised Text of the Capital Companies Act (hereunder, LSC), and Articles 158 - 164 of Royal Decree 1784/1996, of 19 July, approving the Regulation of the Companies Register (hereunder, RRM), establish the legal system applicable to the modification of articles of association. The text of the articles of association of NH Hotel Group faithfully reflects these legal regulations, with no higher quorum or majority required than is set out therein.

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

	Attendance detail				
			% remote voting		
Date of general meeting	% physically present	% present by proxy	Electronic voting	Others	Total
21/06/2018	8.28	62.77	0.00	0.31	71.36
Of which, free float:	0.00	24.40	0.00	0.31	24.71
13/05/2019	94.21	0.90	0.00	0.00	95.11
Of which, free float:	0.08	0.90	0.00	0.00	0.98
16/07/2020	94.20	0.64	0.00	0.00	94.84
Of which, free float:	0.07	0.64	0.00	0.00	0.71

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

NO

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

NO

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

NO

B.8 Indicate the address and access on the Company website to information on corporate governance and other information on General Shareholders' Meetings which must be available to shareholders on the Company website.:

All information of relevance to shareholders, including information on corporate governance and other information on General Shareholders' Meetings is available at all times on the NH Hotel Group website, www.nh-hotels.es, in the section "Shareholders and Investors".

C - COMPANY MANAGEMENT STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of Directors	**20**
Minimum number of Directors	**5**
Number of directors set by the general meeting	**9**

C.1.2 Complete the following table with the members of the Board:

Name of director	Representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to the Board
MR ALFREDO FERNÁNDEZ AGRAS		Independent	CHAIRMAN	19/06/2015	13/05/2019	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR RAMÓN ARAGONÉS MARÍN		Executive	CHIEF EXECUTIVE OFFICER	29/06/2017	16/07/2020	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR		Independent	DIRECTOR	21/06/2016	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR KOSIN CHANTIKUL		Proprietary	DIRECTOR	10/04/2019	13/05/2019	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR STEPHEN ANDREW CHOJNACKI		Proprietary	DIRECTOR	21/06/2018	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR WILLIAM ELLWOOD HEINECKE		Proprietary	DIRECTOR	21/06/2018	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR FERNANDO LACADENA AZPEITIA		Independent	DIRECTOR	21/06/2016	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR RUFINO PÉREZ FERNÁNDEZ		Executive	DIRECTOR	28/09/2020	28/09/2020	CO-OPTED
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER		Proprietary	DIRECTOR	21/06/2018	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING

Total number of directors	**9**

Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
MS BEATRIZ PUENTE FERRERAS	Executive	13/05/2019	28/09/2020		YES

C.1.3 Fill in the following tables about the Board members and their corresponding categories:

Executive directors

Name or company name of director	Post in organisational chart of the company	Profile
MR RAMÓN ARAGONÉS MARÍN	CHIEF EXECUTIVE OFFICER	Tourism diploma from the University of Palma de Mallorca. Master's in International Hotel Management from the International Business School, Hotel and Tourism Management. His professional career, for more than twenty years, has been in positions of management and responsibility, in companies in the tourism sector, such as Hesperia (General Manager) and NH Hotel Group, S.A. (Chief Operations Officer). He is currently Chief Executive of NH Hotel Group, S.A.
MR RUFINO PÉREZ FERNÁNDEZ	EXECUTIVE DIRECTOR	Rufino Pérez Fernández has a degree in economics and business studies from the University of Vigo and studied an Executive MBA in Tourism Corporate Management at the Business Institute. He has spent the greater part of his career in the hotel industry, and has held management positions a the head of Internal Audit, and Organisation and systems areas, and has held the position of General Manager, Operations, in various hotel chains. He is currently General Manager, Operations and Transformation, at NH Hotel Group, S.A.

Total number of executive directors	**2**
Percentage of Board	**22,22%**

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
MR KOSIN CHANTIKUL	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Holds a degree in Economics from Wesleyan University, USA (2000-2004) and studied the Director Certification Program (DCP), he was a member of the Thai Institute of Directors (IOD) (2014). He began his career at Lehman Brothers, was an associate at Lehman Brothers Principal Transactions Group (until 2008) and subsequently at Nomura Asia Asset Finance (until 2010). In 2012 he was appointed Investments Director at Boutique Asset Management and between 2013 and 2015 he was Group Acquisitions Director for Minor International PCL. Since 2015, he has been responsible for the Minor Group's investments and acquisitions. He has led investments, strategic partnerships and mergers and acquisitions activities in the hospitality sectors on behalf of Minor International PCL and led transactions in Thailand, Indonesia, Malaysia, Vietnam, Cambodia, Australia, United Kingdom, Portugal, Spain, Brazil, Maldives, Seychelles, South Africa, Zambia, Botswana, Lesotho and Mozambique.
MR STEPHEN ANDREW CHOJNACKI	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Degree in Law (juris Doctor) and Foreign Relations and Economics from the University of Virginia, obtaining a Doctorate from the University of Virginia/School of Law. Mr Chojnacki has spent his professional career in the law firm Linklaters in their New York, Hong Kong and Bangkok offices. He is currently the Chief Commercial Officer and the General Counsel of Minor International PLC., Director of MHG Continental Holding (Singapore) Pte.Ltd., as well as Director of companies in the Minor group. During his time leading the commercial activities and legal advice of the Minor Group, he has carried out a number of mergers and acquisitions with other leading companies in the hospitality sector, with presence in Portugal, Brazil, China, Vietnam, Indonesia and Africa.
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Degree in Computer Systems Analysis & Design in Sri Lanka in 1984. MBA in Finance in the United Kingdom, IOD Certificate from the Thai Institute of Directors, CIMA (Chartered Institute of Management Accountants UK) Finalist (First time passes with two papers remaining). He is member of an important number of institutions and associations, such as the UK Institute of Management Institutions System, the Fellow member of the Cost and Executive Accountants (FCEA), Associate of British Association of Hotel Accountanyts, among others. Mr Rajakarier has spent his professional career from 2007 to date at Minor International Public Company Limited as Chief Operating Officer (COO) and Director and Chief Executive Officer (CEO) at Minor Hotel Group Limited. Minor International Public Company Limited is a global company focused on three main businesses: restaurants, the hotel sector and retail brands. From 2001 to 2007 he was Deputy Chief Financial Officer and Internal Audit Manager in the leading operator Orient Express Hotels, Trains & Cruises (Belmond). Since 1.01.2020 he is Group CEO of Minor International Public Company Limited.
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LTD	He holds an Honorary Doctorate of Business Administration in Management from Yonok University, Lampang. He also completed the Director Certification Program (DCP) from the Thai Institute of Directors Association (IOD). Mr Heinecke is the founder of Minor International Pcl. (MINT) and is currently Chairman of the Board of Directors of said company. Over the five decades of the Minor group's existence, Mr Heinecke has led the company and expanded its portfolio of restaurants, hotel businesses and lifestyle brand distribution. It currently has more than 2,100 restaurants, 160 hotels and 400 lifestyle outlets in 40 countries (excluding the NH Hotel Group portfolio). MINT is listed on the Thailand Stock Exchange, with revenues of more than 1.5 billion euros and a market capitalisation of 4 billion euros. Mr Heinecke is the author of the book "The Entrepreneur – 25 Golden Rules for Global Business Manager"

Total number of proprietary directors	**4**
Percentage of Board	**44,44%**

EXTERNAL INDEPENDENT DIRECTORS

Name of director	Profile
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	He holds a degree in Law and Economics and Business Administration and Management from the Universidad Pontificia Comillas (ICADE E-3) and a diploma from the Business Management Programme (PADE) of IESE Business School. He was a founding partner of Results Mazimizer (consultancy for the execution and implementation of marketing, sales and communications projects) and Enubes (digital marketing company) and has been the Managing Partner since September 2015. Between July 2008 and August 2015 he held various senior positions in Mutua Madrileña, first as Sales and Marketing Director until May 2011 and subsequently as Deputy General Manager, whilst also being a Director at SegurCaixa Adeslas (from July 2011) and a Director at Mutuactivos Inversiones (from July 2013). Between August 2003 and June 2008 Mr José María Cantero de Montes-Jovellar was Marketing and Customers Director (sales and value enhancement management of the Residential Business Unit) of Amena/Orange in Spain. Previously, between July 1994 and July 2003 he worked for Procter & Gamble España in various positions within the marketing department: Assistant Brand Manager, Brand Manager, and his final position as Business Team Leader Textiles Care division for Spain and Portugal.
MR ALFREDO FERNÁNDEZ AGRAS	Degree in Economic and Business Sciences, as well as in Law from Universidad Pontificia Comillas (ICADE) in 1993. Experienced investment banker, currently dedicated to investing in private companies and advising in corporate finance. He is additionally a board member of several companies, both private and listed. Over the last 20 years, he has worked for several investment banks, having been Managing Director and co-head at 360 Corporate and Managing Director at UBS Investment Bank in Spain. Previously, he worked for Merrill Lynch and Morgan Stanley in London. He has been involved in numerous M&A and capital markets operations in southern Europe, especially in relation to listed companies. He previously worked as a commercial lawyer and a statistician at Arthur Anderson.
MR FERNANDO LACADENA AZPEITIA	Degree in Economics and Business Administration and a Law Degree from ICADE (Speciality E-3) in Madrid. Executive with more than 35 years' experience in financing and very oriented towards management. Lately, specialised in the financial area in large listed multinational corporations, with significant experience in the negotiation and structuring of financing operations, relationships with capital markets and investment operations (M&A). Since December 2014, he has been the CEO of Testa Inmuebles en Renta SOCIMI, S.A., a leading property leasing management company in the third sector, having directed the operation to float the company with Merlin Properties taking a stake in its share capital; an operation valued at approximately €2 billion. He is the chairman of ASIPA, the association of companies with assets in Spain. Prior to that, for seven years he was the CFO at Grupo Sacyr Vallehermoso, managing financing with banks and the relationship with analysts and investors and participating directly in the investment processes and the partnership strategy to develop new businesses in both local markets and internationally. Previously he worked for 13 years in similar positions in Grupo ACS Dragados, after having started in Arthur Andersen where he spent the first 10 years of his professional career.

Number of independent directors	**3**
Percentage of Board	**33,33%**

State whether any independent director receives from the company or any company m the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company m the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
No data		

Other External Directors

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name or company name of director	Reason	Company, director or shareholder to whom the director is related	Profile
No data			
Total number of other external directors			
% of total Board			

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each.

	Number of female directors				% of directors of each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive	0	1	0	0	0.00	50.00	0.00	0.00
Proprietary	0	0	0	0	0.00	0.00	0.00	0.00
Independent	0	0	1	1	0.00	0.00	25.00	16.67
Other External	0	0	0	0	0.00	0.00	0.00	0.00
Total	0	1	1	1	0.00	11.11	10.00	10.00

C.1.5 Indicate whether the company has diversity policies in relation to the Board of Directors of the company with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized companies, in accordance with the definition established in the Accounts Auditing Law, will at least have to report the policy they have established in relation to gender diversity.

PARTIAL POLICIES

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved

On 25 February 2016, following a favourable report from the Appointments, Remuneration and Corporate Governance Committee, the Board of Directors approved a Selection Policy for Directors. Said policy seeks to prevent discrimination, with meritocracy as the criterion guiding the selection process to identify the best candidates for the Company. However, and notwithstanding the foregoing, each time that there is a vacancy on the Board of Directors, and the corresponding selection process begins, at least one woman must be considered as a candidate until the 30% target is met.

On 22 December 2020, in compliance with the contents of Recommendations 14 and 15 of the Unified Good Governance Code, in their respective new wordings after the reform agreed by the CNMV on 26 June 2020, the Board of Directors approved a new Recruitment Policy for Directors and Management Positions that includes the aim that the number of female directors is, at least, 40% of the members of the board of directors before the end of 2022 and, from now, 30%.

In order to fulfil the aforementioned goal, the Appointments, Remuneration and Corporate Governance Committee shall ensure that the selection procedure does not suffer from any implicit bias that may hamper the selection of female directors and that women that fulfil the professional profile sought are included among the potential candidates.

C.1.6 Explain the measures agreed, if any, by the Appointments Committee to ensure that the selection process is not implicitly biased against selecting female Directors, and so that the company deliberately seeks to include women who meet the desired professional profile among potential candidates. Also indicate whether these measures include encouraging the company to have a significant number of female senior executives:

Explanation of the means

The Appointments, Remuneration and Corporate Governance Committee ensures that each time a vacancy occurs in the Board of Directors and the corresponding selection process begins, at least one woman is a candidate.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of the means

So far, no women have been found who fit the professional profile sought.

C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

The Appointments, Remuneration and Corporate Governance Committee has concluded that, despite women having taken part in the selection process for Directors women, to date none have meet the required profile.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed at the request of shareholders whose holdings are below 3% of share capital:

Name or company name of shareholder	Justification
No data	

Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

NO

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees.

Name or company name of director or committee	Brief description
MR RAMÓN ARAGONÉS MARÍN	All the powers that correspond to the Board of Directors, except those that cannot be delegated by law or the company's articles of association.

C.1.10 Identify any members of the Board who are also directors or officers m other companies in the group of which the listed company is a member:

Name or company name of director	Company name of the group entity	Position	Does the director have executive powers?
MR RAMÓN ARAGONÉS MARÍN	HEINER GOSSEN HOTELBETRIEB GmbH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES AUSTRIA GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH CASH LINK, S.L.	Joint Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES SWITZERLAND GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES CZECHIA S.R.O.	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES DEUTSCHLAND GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELBETRIEBS-UND ENTWICKLUNGS GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	JOLLY HOTELS DEUTSCHLAND GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELBETRIEBS-UND DIENSTLEISTUNGS GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH CENTRAL EUROPE GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH MANAGEMENT BLACK SEA SRL	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES POLSKA SP ZOO	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	JOLLY HOTELS USA INC	Chairman of the Board of Directors	NO
MR RAMÓN ARAGONÉS MARÍN	NH HUNGARY SZALLODUAZEMELTETO KFT	Joint and Several Director	NO
MR RUFINO PÉREZ FERNÁNDEZ	COPERAMA HOLDING, S.L.U.	Director	NO
MR RUFINO PÉREZ FERNÁNDEZ	COPERAMA SPAIN, S.L.U.	Joint Director	NO
MR RUFINO PÉREZ FERNÁNDEZ	LATINOAMERICANA DE GESTION HOTELERA, S.L.	Joint and Several Director	NO
DON RUFINO PÉREZ FERNÁNDEZ	NH ATARDECER CARIBEÑO, S.A.U.	Joint and Several Director	NO
DON RUFINO PÉREZ FERNÁNDEZ	NH CENTRAL RESERVATION OFFICE, S.A.U.	Sole Director	NO
DON RUFINO PÉREZ FERNÁNDEZ	IBER-INTERBROKERS	Director	NO
DON RUFINO PÉREZ FERNÁNDEZ	NH PANAMA, S.A.	Director	NO
DON RUFINO PÉREZ FERNÁNDEZ	HOTELES ROYAL, S.A.	Director	NO
DON RUFINO PÉREZ FERNÁNDEZ	SOCIEDAD HOTELERA CIEN INTERNACIONAL, S.A.	Director	NO

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name of director	Name of listed company	Name of listed company
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	SERENDIB HOTEL PCL	DIRECTOR
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LIMITED	CHIEF EXECUTIVE OFFICER
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LIMITED	CHAIRMAN
MR WILLIAM ELLWOOD HEINECKE	INDORAMA VENTURES PUBLIC COMPANY LIMITED	DIRECTOR

D. William Ellwood Heinecke is also Chairman of the Executive Committee of Minor International Public Company Ltd, as well as Chairman of the Appointments, Remuneration and Corporate Governance Committee of the company Indorama Ventures Public Company Limited.

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

YES

Explanation of the roles and identification of the document where this is regulated

Article 29 of the Board Regulations expressly establishes that directors must dedicate the necessary time and effort to performing their duties, and must notify the Appointments, Remuneration and Corporate Governance Committee of any circumstances that may interfere with the required dedication. Similarly, directors may not belong to more than 10 boards of directors, excluding the Board of NH Hotel Group, S.A. and the boards of holding companies and family companies, without the express authorisation of the Appointments, Remuneration and Corporate Governance Committee based on the individual circumstances in each case.

C.1.13 State total remuneration received by the Board of Directors:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	1,341
Amount of pension rights accumulated by directors currently in office (thousands of euros)	0
Amount of pension rights accumulated by former directors (thousands of euros)	0

C.1.14 Identify members of senior management who are not also Executive Directors, and indicate their total remuneration for the year:

Name or company name	Position(s)
MR FERNANDO CÓRDOVA MORENO	CHIEF PEOPLE OFFICER
MS LAIA LAHOZ MALPARTIDA	CHIEF ASSETS AND DEVELOPMENT OFFICER
MR ISIDORO MARTÍNEZ DE LA ESCALERA	CHIEF MARKETING OFFICER
MR LUIS MARTÍNEZ JURADO	CHIEF FINANCIAL OFFICER
MR RUFINO PÉREZ FERNÁNDEZ	CHIEF OPERATIONS OFFICER AND GLOBAL TRANSFORMATION LEADER
MR CARLOS ULECIA PALACIOS	CHIEF LEGAL AND COMPLIANCE OFFICER. GENERAL COUNSEL
MR FERNANDO VIVES SOLER	CHIEF COMMERCIAL OFFICER

Number of women in senior management	**1**
Percentage of total senior management	**16.00**

Total remuneration of senior management (thousands of euros)	**1,837**

C.1.15 State whether there has been any change to the regulations of the Board during the year:

YES

Description of amendment
On 22 December 2020, the Board of Directors approved amendment of certain articles in the Board Regulations in order to adapt their content to the Unified Good Governance Code approved by the CNMV on 26 June 2020.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: List the competent bodies, steps to follow and criteria applied in each procedure.e.

The directors are appointed by the General Shareholders' Meeting, or provisionally by the Board of Directors in accordance with the provisions contained in the Capital Companies Act and the company's articles of association.

Proposals for appointments or the re-election of members of the Board of Directors is the responsibility of the Appointments, Remuneration and Corporate Governance Committee in the case of independent directors and is the responsibility of the Board itself for all other cases. Proposals should always be accompanied by a report from the Board assessing the proposed candidate's competence, experience and merits, which will be attached to the minutes of the General Shareholders' Meeting or that of the Board.

Proposals for appointing or re-electing any non-independent Director must also be preceded by a report from the Appointments, Remuneration and Corporate Governance Committee.

The Board of Directors must ensure that the selection process for its members favours diversity in terms of gender, experience and knowledge and does not suffer from implicit biases that may lead to any type of discrimination and, particularly, that it facilitates the selection of female directors.

In terms of appointing external directors, the Board of Directors and the Appointments, Remuneration and Corporate Governance Committee have a duty to ensure, within the scope of their respective competencies, that the election of candidates falls on people with a solid reputation, proven skills and experience, and who are prepared to dedicate a sufficient part of their time to the Company, taking the utmost care in choosing people who may be selected to be independent directors.

The Board of Directors will propose or designate people who meet the requirements set out in article 9.3.2 of the Regulation of the Board of Directors to cover the position of independent directors.

In any event, those subject to any incapacity, disqualification, prohibition or conflict of interests set forth in current legislation may not be proposed for appointment as Board members. All those directly or indirectly holding interests of any type or that have an employment, professional or mercantile relationship, or relations of any other type with competitor companies, shall be considered as incompatible for the position of director, except when the Board of Directors, with a favourable vote of at least 70% of its members, agrees to set aside this condition. The above is without prejudice to any other waiver that, in compliance with current legislation, the General Shareholders' Meeting had to provide.

C.1.17 Explain how far the annual assessment of the board has led to important changes in its internal organisation, and on the procedures applicable to its activities:

Description of amendment

After the annual assessment of the board of directors carried out in November 2020, for following strengths were noted:

- The material delivered to the Board of Directors before meetings is clear and delivered sufficiently in advance to carry out the Company's supervisory activities.
- Within the Board, communication is open and safeguards the different points of view of the directors.
- The Directors are informed about the Corporate Governance regulations applicable to the Company.

There remain, however, areas to improve for which an action plan has been put in place with the aim of optimising the areas of opportunity detected. The two main areas of opportunity detected were: better focus on strategic initiatives where it is suggested to include specific meetings to review strategic initiatives in the board and better supervision of the Company's risk map.

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

The evaluation process of the NH Board of Directors is carried out annually to identify the directors' perceptions regarding the practices of the Board of Directors and its committees in aspects such as composition, operation, sessions or performance of the functions.

During 2020 assessment of the Board of Directors was carried out internally. The process was similar to previous years, where information is collected using forms filled in by the directors and then a results report and action plan for 2021 was prepared.

The 2020 assessment was answered by all board members who held their positions throughout the financial year.

The directors responded on various issues in reference to NH's governing bodies (operations, Board functions, strategic planning, operational and financial supervision, etc.), as well as questions about the sessions of each committee (planning, presentations , communication and participation, etc.).

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

Not Applicable.

C.1.19 Indicate cases in which Directors are compelled to resign.

Directors shall step down when the period for which they were appointed comes to an end or when agreed by the General Shareholders' Meeting based on the powers legally attributed to it.

Article 14.2 of the Regulations of the Board of Directors also stipulates that Directors shall place their office at the disposal of the Board of Directors and tender their resignation in any of the following circumstances:

a) When they cease the executive positions to which their appointment as Director was associated or when the reasons for which they were appointed disappear, it being understood that said circumstance occurs to a Proprietary Director when the Entity or Business Group they represent ceases to hold a shareholding significant in the Company's share capital or when, for an Independent Director, they are integrated into the executive line of the Company or any of its subsidiaries.

b) Where they are subject to any incapacity, disqualification, prohibition or conflict of interests established in current legal provisions.

c) Where they are seriously reprimanded by the Appointments, Remuneration and Corporate Governance Committee for failing to comply with any of their obligations as Directors.

d) When their continued presence on the Board may affect the good standing or reputation that the Company enjoys in the market, or put its interests at risk in any other way. In this case, the Director must immediately inform the Board of the facts or procedural difficulties that affect said reputation or risk. In the event that the Board is informed or becomes aware in another manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the Nomination and Remuneration Committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed.

C.1.20 Are reinforced majorities other than those applicable by law required for any type of decision?:

YES

If so, please describe the differences.

Description of the differences

For the appointment of Directors with direct or indirect interests of any type in, or an employment, professional, commercial or any other relationship with competitor companies, a vote in favour by 70% of the Board members is required (Article 11.3 of the Board regulations).

C.1.21 Explain if there are any specific requirements, other than those relating to Directors, to be appointed Chairman of the Board of Directors:

NO

C.1.22 Indicate whether the Articles of Association or the Board Regulations establish any age limit for Directors:

NO

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

NO

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, briefly describe these rules.

Article 40 of the Articles of Association sets the rules around delegating votes, stating that "Directors shall personally attend Board meetings and, when they are unable to do so in exceptional circumstances, shall ensure that the proxy granted to another member of the Board shall include the relevant instructions insofar as possible."

Similarly, Article 22 of the Board Regulations in implementing said article adds that "Non-executive directors can only delegate their vote to another nonexecutive director."

The Board of Directors has not governed the maximum number of times a Director may delegate their vote.

C.1.25 Indicate the number of meetings that the Board of Directors has held over the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	13
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0

Indicate the number of meetings held by each Board committee during the year:

Number of Meetings held by the APPOINTMENTS AND REMUNERATION COMMITTEE	4
Number of meetings of the APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	5

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance

Number of meetings where at least 80% of the directors attended	5
Attendance in person as a % of total votes during the year	89.00
Number of meetings in situ or representations made with specific instructions of all directors	13
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100.00

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

NO

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

The Audit and Control Committee is, amongst other things, responsible for "supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria" (article 25 b), paragraph 3 of the Board Regulations). They also provide that the Committee has the function of "ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks" (article 25 b), paragraph 5.6 of the Board Regulations).

It ensure that the members of the Audit and Control Committee have the necessary training, it is a requirement that the members of the audit committee, in particular its Chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial (article 25 a) of the Board Regulations).

At any event, all Directors may obtain the necessary advice from the Company to perform their duties, and may request legal advisers, accountants, financial advisers or other experts to be appointed and paid for by the Company.

C.1.29 Is the Secretary of the Board a Director?

NO

If the secretary is not a director, please complete the following table.

Name or company name of the secretary	Representative
MR CARLOS ULECIA PALACIOS	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

The Board of Directors has established a stable and professional relationship with the Company's external accounts auditor through the Audit and Control Committee, strictly respecting its independence. By way of an example, the Audit and Control Committee holds regular meetings with the external auditor without the executive team being present. In this sense, article 25. b) of the Regulations of the Board of Directors expressly establishes that one of its responsibilities is to pass along to the Board of Directors proposals for selecting, appointing, re-electing and substituting external auditors, as well as conditions for their contracting and regularly collecting information from them on the audit plan and its execution, in addition to preserving its independence in exercising its functions.

Furthermore, the Audit and Control Committee is responsible for establishing suitable relationships with auditors or audit firms in order to receive information regarding any issues that may jeopardise their independence, so that these can be examined by the committee, and any other matters related with the process of conducting financial audits, as well as any other communications stipulated in the financial auditing legislation and audit regulations. In any event, it must receive written confirmation on an annual basis from the auditors or auditing firms of their independence from the Company or entities related to it either directly or indirectly, as well as information on any additional service of any kind provided to such entities and the corresponding fees received by the aforementioned auditors or by persons related to them in accordance with the provisions set forth in legislation regarding auditing.

Likewise, every year, prior to issuing the audit report, the Audit and Control Committee must also issue a report in which it gives its opinion on the independence of the auditors or auditing firms. This report must always contain an assessment of the additional services referenced in the above paragraph, considered individually and together, that are separate from the legal audit and with regard to their independence and to audit regulations.

C.1.31 State whether the Company has changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

NO

If there were any disagreements with the outgoing auditor, please provide an explanation:

NO

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

YES

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	239	346	585
Amount invoiced for non-audit services/Amount for audit work (in %)	47.00	21.00	27.00

Observation: The amount of other services different than the ones of Audit do not include the verification services regarding the Audit.

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

NO

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	2	2
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	5.8%	5.8%

C.1.35 Indicate and, if applicable, provide details of whether there is a procedure whereby Directors can have the information necessary to prepare for meetings of the management bodies with sufficient time:

YES

Explanation of procedure
According to article 21 of the Regulations of the Board, the announcement of the meeting, which will be published at least three days before the date of the meeting, will include a preview of the likely agenda for the meeting and will be accompanied by the necessary written information that is available. Furthermore, article 27 of the aforementioned Regulations indicates that Directors must diligently inform themselves of the Company's progress, and to that end, collect any necessary or pertinent information in order to correctly perform their duty. To this end, the Board has been assigned the broadest possible powers to gain information about any aspect of the Company; to examine its books, registers and documents and any other information concerning its operations. Said right to information is also extended to the various subsidiary companies that are included in the consolidated group, insofar as it is necessary for the Director to correctly perform their functions as referred to in article 6 of said Regulations. With the aim of not disturbing the Company's normal management, the exercise of the right to information will be channelled through the Chairman or Secretary of the Board of Directors, who will respond to requests from Directors by directly providing him/her the information or putting them in touch with the appropriate people in the suitable level of the organisation. With the aim of being assisted in the exercise of their functions, the Directors may obtain the necessary consulting from the Company to perform their functions. In special circumstances, they may even request that the Company hire legal, accounting or financial consultants or other experts. Such help must relate to specifically defined and complex problems that arise in the course of their work. The decision to employ such services must be communicated to the Chairman of the Company and implemented through the Secretary of the Board, unless the Board of Directors considers that such services are not necessary or appropriate.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

YES

Explanation the rules
The Regulations of the Board includes a mechanism to oblige the Directors to provide immediate notification of all legal proceedings in which they may be adversely affected. In this way, article 14.2 d) of the Regulations for the NH Hotel Group, S.A. Board of Directors expressly provides that the Directors must place their post at the disposition of the Board of Directors and submit the relevant resignation, when their continued presence on the Board may affect the good standing or reputation that the Company enjoys in the market, or put its interests at risk in any other way. In this case, the Director must immediately inform the Board of the facts or procedural difficulties that affect said reputation or risk. In the event that the Board is informed or becomes aware in another manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the Nomination and Remuneration Committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. It also establishes that in all events, those subject to any incapacity, disqualification, prohibition or conflict of interests set forth in current legislation may not be proposed for appointment as Board members. In the event that the Board is informed or becomes aware in another manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the Nomination and Remuneration Committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

NO

C.1.38 List the significant agreements signed by the company and that come into force, are modified or are terminated in the case of a change in control of the company resulting from a take-over bid, and their effects.

The NH Group has signed several financing contracts that contain a clause establishing their early maturity in the event of circumstances that give rise to a change in control of the NH, amongst which includes a Syndicated Credit Line for 250 million euros that matures in 2021. In addition, NH issued guaranteed senior bonds that mature in 2023, which include certain consequences should control of the Issuer change, such as the possibility of NH being required to repurchase the senior bonds.

As a result of the change of control in the Company's shareholders, a unanimous waiver by the creditors of the Syndicated Credit Line amounting to 250 million euros was obtained in September 2018, with maturity until 2023. Additionally, and in line with the change of control, the Company offered the Bondholders the repurchase at 101% of the 2023 Bond for 400 million euros. The requested amount reached only 3.2 million euros of the total nominal.

Likewise, the change of control following a public takeover bid could have different effects on other leasing and hotel management agreements signed by the Company. NH has carried out a study of these clauses and estimates that the change of control will not have a significant economic impact.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	0
Type of beneficiary	**Description of agreement**
None	At today's date, there are no beneficiaries in the group of any compensation or golden parachute clauses in the event of resignation or dismissal without cause.

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	√	

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?		√

C.2 Committees of the Board of Directors

C.2.1 List all the committees of the Board of Directors, their members and the proportion of Executive, Proprietary, Independent and other external Directors thereon:

AUDIT AND CONTROL COMMITTEE

Name	Position	Category
MR FERNANDO LACADENA AZPEITIA	CHAIRMAN	Independent
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	MEMBER	Independent
MR STEPHEN ANDREW CHOJNACKI	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Audit and Control Committee shall comprise a minimum of three and a maximum of six directors, appointed by the Board of Directors. All members sitting on said Committee shall be External Directors, the majority of whom, at least, must be independent directors, and one of whom must be designated by taking into consideration their knowledge and experience in accounting, auditing, or both. The Chairman of the Audit Committee must be appointed from among its independent members. The Chairman must also be replaced every four years; previous chairmen may be re-elected one year after their previous mandate has ended.

The Audit Committee will have at least the following responsibilities:

1. Report to the General Meeting of Shareholders on any matters broached within the sphere of its competence.

2. Supervise the effectiveness of the company's internal control, internal auditing, where applicable, and risk-management (including tax risk) systems, as well as discussing with auditors or audit companies any significant weaknesses in the internal control system identified during audits.

3. Oversee the process of drawing up and submitting regulated financial reporting.

4. Pass along to the Board of Directors proposals for selecting, appointing, re-electing and substituting external auditors, as well as conditions for their contracting and regularly collecting information from them on the audit plan and its execution, in addition to preserving its independence in exercising its functions.

5. Establish suitable relationships with auditors or audit firms in order to receive information regarding any issues that may jeopardise their independence, so that these can be examined by the committee, and any other matters related with the process of conducting financial audits, as well as any other communications stipulated in the financial auditing legislation and audit In any event, it must receive written confirmation on an annual basis from the auditors or auditing firms of their independence from the Company or entities related to it either directly or indirectly, as well as information on any additional service of any kind provided to such entities and the corresponding fees received by the aforementioned auditors or by persons related to them in accordance with the provisions set forth in legislation regarding auditing.

6. Issue, once a year and prior to the release of the auditor's report on the financial statements, a report expressing an opinion on the independence of the auditors or audit firms. This report must always contain an assessment of the additional services referenced in the above paragraph, considered individually and together, that are separate from the legal audit and with regard to their independence and to audit regulations.

7. Provide previous information for the Board of Directors on all matters established by law, the articles of association and in the Regulation of the Board, and, in particular on:

   a. The financial information which the company must periodically publish;

   b. The creation or acquisition of any equity investments in special purpose vehicles and companies registered in tax havens; and

   c. Related party operations.

8. Safeguard the independence and effectiveness of the internal audit area; propose the selection, appointment, re-election and removal of the manager of the internal audit service; propose the budget for this service; receive periodic information about its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

9. Set up and oversee a mechanism that allows employees confidentially and anonymously to report any breaches of the Code of Conduct.

10. Supervise compliance and internal codes of conduct, as well as the rules of corporate governance.

The Audit and Control Committee will meet at least once every quarter and as many times as may be necessary, after being called by the Chairperson on their own initiative or upon the request of two of the Committee or the Board of Directors.

The Audit and Control Committee may require any of the Company's employees or managers, including the Company's Accounts Auditor, to attend its meetings. Through its Chairman, the Audit and Control Committee will give the board an account of its activities and work done, either at the meetings scheduled for the purpose or at the very next meeting when the Chairman of the Audit and Control Committee deems it necessary. The minutes of its meetings will be available to any member of the board that requests them.

Non-member Directors may attend Audit and Control Committee meetings on a one-off basis, when invited by the Chairman of the Committee.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	MR FERNANDO LACADENA AZPEITIA
Date of appointment of the chairperson	25/07/2017

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

Name	Position	Category
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	CHAIRMAN	Independent
MR ALFREDO FERNÁNDEZ AGRAS	MEMBER	Independent
MR STEPHEN ANDREW CHOJNACKI	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Appointments, Remuneration and Corporate Governance Committee shall comprise a minimum of three and maximum of six Directors and shall be exclusively non-executive directors appointed by the Board of Directors, two of whom, at least, must be Independent Directors. The Chairman of the Committee shall be chosen by the Independent Directors that comprise it.

The Appointments, Remuneration and Corporate Governance Committee will have at least the following responsibilities:

1. Evaluate the competences, knowledge and experience necessary on the Board of Directors. For these purposes, it shall define the abilities and functions required by candidates to cover each vacancy, and assess the time and dedication required to correctly carry out their functions.

2. Establish a representation goal for the less represented sex on the Board of Directors and create guidelines for how to achieve said goal.

3. Pass along to the Board of Directors proposals for appointments of Independent Directors for their designation by co-opting or for their submission to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or removal of said Directors by the General Shareholders' Meeting.

4. Inform the Board of proposals for appointments of remaining Directors for their designation by co-opting or for their submission to the decision of the General Shareholders' Meeting, as well as proposals for their re-election or removal by the General Shareholders' Meeting.

5. Provide notification of proposals for appointing or removing senior management and the basic conditions of their contracts.

6. Examine or organise the Chairman of the Board's and the chief executive's succession and, if appropriate, bring proposals before the Board so that such successions are effected in an orderly fashion.

7. Propose to the Board of Directors the remuneration policy for the directors and general managers or for those who perform functions of upper management directly reporting to the Board, Executive Committee or Chief Executives, as well as the individual remuneration and other contractual conditions for the Chief Executives, ensuring compliance therewith.

8. Supervise and monitor compliance with corporate governance rules and with the corporate social responsibility policy and plan, proposing any necessary Reports to the Board, while also ensuring that corporate culture is in line with their purpose and values.

9. Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

10. The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

11. Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.

12. Supervision and evaluation of the way relations with various stakeholders are handled.

The Board of Directors shall be informed of all the tasks carried out by the Appointments, Remuneration and Corporate Governance Committee during its first meeting, and in all events the corresponding documentation shall be made available to the Board so that it can take these actions into consideration when performing its duties.

The Appointments, Remuneration and Corporate Governance Committee shall meet as often as considered necessary by its Chairman, or when requested by two of its members or the Board of Directors.

Furthermore, non-member Directors may attend Appointments, Remuneration and Corporate Governance Committee meetings on a one-off basis, when invited by the Chairman of the Committee.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND CONTROL COMMITTEE	0	0.00	0	0.00	1	33.00	1	33.00
APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, as applicable, the existence of regulations governing the committees attached to the Board, where they are available for consultation and any amendments that have been made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

The Company Articles of Association (Articles 45 - 48), and the Regulations of the Board of Directors (Articles 23 - 26) comprehensively cover all regulations relating to the Board's Committees. The aforementioned internal regulations of the Company are available on the company website (www.nh-hotels.es), in the section "Shareholders and Investors" - "Corporate Governance". Said website also includes all information regarding the composition of each Committee. The Audit and Control Committee and the Appointments, Remuneration and Corporate Governance Committee annually issue a report on the activities they have carried out during the financial year.

D - RELATED AND IN-GROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Articles 33.1.c) of the Articles of Association and 5.5.c) of the Board Regulations assign the Board of Directors the duty of approving related party transactions, understood to be transactions between the Company and Directors, significant shareholders or bodies represented on the Board, or people associated with them, as defined in the LSC. This approval will follow a report by the Audit and Control Committee (Article 48.4 of the Articles of Association and 25 b) of the Board Regulations).

Authorisation of the Board shall not be required however, for related party transactions that simultaneously meet the following three conditions:

1. That are carried out under agreements with standardised conditions and are applied in a general way to numerous clients;
2. That are carried out at generally established rates or prices, set by the supplier of the good or service; and
3. Operations with a quantity that does not exceed 1% of the company's annual revenues.

Additionally, on 26 March 2014 the Board of Directors approved a Procedure on Conflicts of Interest and Related Party Transactions, available on the Company's website, which includes the approval of such transactions in greater detail. In this way, the aforementioned Procedure implements the provisions of the Regulations of the Board of Directors and the Internal Code of Conduct on the Securities Market of the NH Hotel Group, S.A., and aims to detail the rules to be followed in those transactions the Group performs with Directors, with people subject to rules of conflict of interest, or with major shareholders. Said Procedure establishes in detail everything relative to i) the written communication that must be submitted by shareholders or Directors regarding transactions to be performed by them or their respective Related Parties to the Secretary of the Board of Directors, who will send it to the Audit and Control Committee periodically for its review and, if necessary, to be passed along to the Board, provided that it does not fall within the pre-established criteria of cases that do not have to be submitted to the Board; and ii) the obligation of maintaining a registry of said transactions.

Finally, to comply with Recommendation 6 of the Code of Good Governance, the Annual Audit and Control Committee Report includes a sections on Related Operations that have been managed in said Committee. This Report was published on the Company's website to coincide with the Board meeting.

D.2 List transactions which are significant for their amount or relevant due to their subject, between the company or entities in its group, and significant shareholders of the company:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
MINOR INTERNATIONAL PUBLIC COMPANY LTD	NH RALLYE PORTUGAL, LDA	CONTRACTUAL	MANAGEMENT CONTRACTS	666
MINOR INTERNATIONAL PUBLIC COMPANY LTD	NH RALLYE PORTUGAL, LDA	CONTRACTUAL	PROVISION OF SERVICES	832
MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	NH HOTEL GROUP, S.A.	CONTRACTUAL	LICENCE AGREEMENT	429

D.3 List transactions which are significant for their amount or relevant due to their subject, between the company or entities in its group, and the managers or directors of the company:

Name or company name of director(s) or manager(s)	Name or company name of the company or entity within its group	Relationship	Type of transaction	Amount (thousand of euros)
No data				N.A.

D.4 Report on the significant transactions carried out by the company with other entities belonging to the same group, provided they are not eliminated in the process of drafting the consolidated financial statements and do not form part of the Company's normal business in relation to its purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Company name of the entity within the group	Brief description of the transaction	Amount (thousand of euros)
SOTOCARIBE, S.L.	Loan	9,617

D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

Company name of the related party	Brief description of the transaction	Amount (thousand of euros)
No data		N.A.

D.6 Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or its Group, and their directors, managers or major shareholders.

Article 32 of the Regulations of the Board establishes the duty of loyalty and the duty to prevent situations of conflict of interest that the Directors must comply with. Thus, the aforementioned article states that Directors must perform their duties with the loyalty of a faithful representative, operating under good faith and in the Company's best interest. In particular, the duty of loyalty obliges Directors to:

a) Not exercise their powers for purposes other than those for which they have been conceded.

b) Keep the information, data, reports or background that they have had access to in the performance of their duty confidential, even when they have left the position, except for cases where allowed or required by the law.

c) Abstain from participating in the deliberation and voting for agreements and decisions in which they or an associate have a direct or indirect conflict of interests. Those agreements or decisions that affect their position as a Director shall be excluded from the above requirement to abstain, such as their selection or removal for positions in the administration body or others of similar significance.

d) Perform their duties under the principle of personal responsibility with freedom of criteria or judgement and independence with regard to instructions from and connections to third parties.

e) Adopt the necessary measures for avoiding situations in which his/her interests may enter into conflict with the company's interests and with his/her responsibilities to the company.

In particular, avoiding the situations of conflict of interest referred to in the above letter e), obliges the Director to abstain from:

i) Carrying out transactions with the Company, except where they were ordinary transactions carried out under standard conditions for clients and of little importance, with these being understood to be those whose information is not necessary to express the true image of the equity, financial situation and profit and loss of the company.

ii) Using the Company name or their position as director to unduly influence the completion of private transactions.

iii) Making use of company assets, including confidential Company information, for private purposes.

iv) Exploiting the Company's business opportunities.

v) Receiving benefits or remuneration from third parties other than the Company and its Group of associate companies while carrying out my duties, except where these were mere acts of courtesy.

vi) Carrying out activities on their own account, or for third parties, which would entail either actual or potential effective competition with the Company or which, in any other way, would place them in permanent conflict with the Company's interests.

The above provisions shall also be applicable in the case that the beneficiary of the prohibited acts or activities is an associate of the Director, in accordance with the definition provided in article 231 LSC.

The Company may waive the prohibitions set out in this article, as established in article 230 LSC.

In any event, directors must notify the Board of Directors of any direct or indirect situation of conflict of interest that they or their associates may have with the Company. Situations of conflict of interest involving Directors will be subject to inclusion in the Annual Report.

Additionally, on 26 March 2014 the Board of Directors approved a Procedure on Conflicts of Interest and Related Party Transactions, available on the Company's website, which includes the approval of such transactions in greater detail. In this way, the aforementioned Procedure implements the provisions of the Regulations of the Board of Directors and the Internal Code of Conduct on the Securities Market of the NH Hotel Group, S.A., and aims to detail the rules to be followed when the Company's interests or those of any of its Group's companies directly or indirectly clash with a Director's personal interests. Said Procedure establishes in detail everything relative to i) the obligation of communicating possible situations of conflict of interest to the Secretary of the Board, who will send them to the Audit and Control Committee periodically; ii) the obligation of the affected Director to abstain from attending and intervening in the phases of deliberation and voting regarding those matters in which they are involved in a conflict of interest, both in meetings of the Board of Directors as well as before any other company body, committee or board that participates in the corresponding transaction or decision, and iii) the obligation of keeping a registry of said transactions.

Finally, it should be noted that all related operations entered into between Minor International Public Company Limited (and its group of companies) and NH have been signed under market conditions and in compliance with legal, statutory and the aforementioned provisions, as well as in the Framework Agreement signed between the parties on 7 February 2019 which regulates, among others, the scope of action of the respective hotel groups headed by NH and Minor by means of preferential geographic areas or areas, the mechanisms necessary to prevent and respond to possible conflicts of interest, as well as to carry out operations with related parties and the development of business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

During all Board Meetings dealing with issues related to Minor, the Proprietary Directors were absent when dealing with said matters and therefore did not participate in the adoption of the corresponding agreement.

D.7 Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

YES

Indicate whether the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries have been defined publicly and precisely:

SÍ

Report the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries, and identify where these aspects have been publicly reported

In accordance with the provisions of the Second Recommendation in the Listed Companies' Good Governance Code approved by the National Stock Market Commission, NH's Board of Directors has approved signature of a framework agreement with the parent company of its controlling shareholder, Minor International Public Limited Company ("Minor"), the entire text of which is available on the Company's corporate web site (www.nh-hoteles.com). The resolution by NH's Board of Directors was adopted unanimously by its members, with Minor's proprietary directors duly abstaining.

The purpose of the framework agreement is to set up a transparent framework for relations between the Company and Minor (and amongst its group companies) in which, following best corporate governance practices and, in particular, the aforementioned Second Recommendation in the Listed Companies' Good Governance Code:

(i) the scope of action of the respective hotel groups headed by NH and Minor, respectively, is delimited through the identification of preferred geographical zones or areas;

(ii) the necessary mechanisms to prevent and respond to possible conflicts of interest are governed, as well as carrying out operations with related parties and developing business opportunities; and

(iii) the commitments related to the exchange and provision of information by NH and its processing are established.

Furthermore, in accordance with the procedures provided for in the framework agreement signed today by NH and Minor, they have also signed a reciprocal agreement, whereby both parties licence the use of their respective trademarks in the geographical areas where the other party operates.

Identify the mechanisms in place to resolve potential conflicts of interest between the parent of the listed company and the other group companies:

Mechanisms for resolving possible conflicts of interest

We refer to the statements in paragraph D.6.

E - RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk:

The risk management system of the NH Hotel Group, which is rolled out in both the Group's corporate head office and its Business Units, aims to identify events that may negatively affect achievement of the objectives of the Company's Strategic Plan, providing the maximum level of assurance to shareholders and stakeholders and protecting the group's revenue and reputation.

The risk management model is based on the integrated COSO ERM 2017 (Enterprise Risk Management) framework, and includes a set of methodologies, procedures and support tools that allow the NH Hotel Group:

1. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
2. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.
3. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives To identify measures to mitigate these risks, as well as establish action plans based on the Company's tolerance to risk.
4. To follow-up on the action plans for the 10 main risks, within a continuous improvement model framework.

Such methodologies and procedures are also used in relation to tax risk management. The NH Hotel Group has a Corporate Tax Strategy that forms part of the Group's Corporate Governance System, the objective of which is to establish the values, principles and rules that must govern the Group's activities in terms of tax, with a Tax Risk Management and Control Procedure.

On the other hand, NH Hotel Group's Corporate Risk Management Policy (approved by the Board of Directors in 2015), as well as the internal manual that implements it, aim to define the basic principles and the general framework of action to identify and control all types of risks that may affect the companies over which the NH Hotel Group has effective control, as well as ensuring alignment with the Company's strategy.

In addition, there are a number of specific policies that complement the Corporate Risk Management Policy and that are established in relation to certain risks:

- Purchasing policy.
- Travel policy.
- Sustainability policy.
- Information security policy.
- Corporate credit policy.
- Corporate tax policy.
- Corporate gifts policy.
- Corporate committees policy.
- Anti-fraud and corruption policy.
- Money laundering and terrorist financing prevention policy.
- Corporate responsibility policy.
- Debt financing policy.
- Code of Conduct.
- Internal Code of Conduct (ICC).
- Human Rights Policy

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. The Company updated its Risk Map in 2020 through a process in which 22 Senior Executives identified and assessed the main risks faced by the Company. The value of each risk is obtained as a result of the product of probability and impact according to a predefined scale (4x4, 5 matrix). This Map was approved by the Board of Directors at its meeting on 29 July 2020.

For the main risks of the Risk Map, the Audit and Control Commission receives a report regularly detailing the operation of the risk management and control system and includes conclusions on it. The implementation status of the previously agreed action plans is, amongst other information, included in the report.

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee.

Each year, coinciding with the update of the Risk Map, Risk Management is responsible for reassessing the risk catalogue, this includes financial and non-financial risks and emerging risks and ESG (environmental, social and corporate governance). The definitive catalogue is updated with the Senior Management taking part in the process, validated by the Management Committee Audit and Control Committee before being approved by the Board of Directors. Additionally, Risk Owners can report/suggest a new risk to the Risk Office.

E.2 Identify the company bodies responsible for creating and implementing the Risk Management and Control System, including tax risks:

The Company's Board of Directors is responsible for overseeing the risk management system, in line with the provisions of Article 5 of the Regulation of the Board of Directors.

As regulated by Section 3 of article 25 b) of the Regulation of the Company's Board of Directors, the Audit and Control Committee supports the Board of Directors in supervising the effectiveness of the internal control, internal audit and the risk management systems, including tax risks. In this regard, carried out during the various meetings held in 2020 were control and monitoring of the Company's main risks, their evolution in recent years and the main mitigation and response measures.

On the other hand, amongst other functions, the Company's Management Committee manages and controls risks based on risk tolerance, assigns ownership of the main risks, periodically monitors their evolution, identifies mitigation actions as well as defining response plans. For these purposes, the Executive Risk Committee, made up from members of the Management Committee and Senior Executives, supports the Management Committee in such oversight, as well as promoting a culture of risks in the Company. For them, the Company has an internal risk management manual that details the principles, processes and controls in place.

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives.

To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party reviews its operation regularly.

As an additional guarantee of independence, Risk Management is independent of the Business Units and, as with Internal Audit, it maintains a functional reporting line to the Audit and Control Committee.

In line with the foregoing, NH follows the Three Lines model published by the Global IIA in July 2020.

- First line: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).
- Second line: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
- Third line: carried out by Internal Audit or an independent third party according to the organisational model.

In regard to tax, the Corporate Tax Department forms part of the Finance Department and is responsible for designing, implementing and monitoring the Group's Tax Risk Management.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

The NH Hotel Group's risk catalogue includes a total of 75 risks grouped into the following six categories:

a) Financial Risks, such as fluctuation of interest rates, exchange rates, inflation, liquidity, non-compliance with financing undertakings, restrictions on financing and credit management.

b) Compliance Risks, arising from possible regulatory changes, interpretation of legislation, regulations and contracts, and non-compliance with internal and external regulations. This section would include tax, environmental, and fraud and corruption risks. It also covers Reputational Risks, arising from the Company's behaviour which negatively affects fulfilment of the expectations of one or more of its stakeholders (shareholders, customers, suppliers, employees, the environment and society in general).

c) Business Risks generated by inadequate management of procedures and resources, whether human, material or technological. This category encompasses difficulty in adapting to changes in customer demand and needs.

d) Risks arising from External Factors, such as the consequences resulting from natural disasters, pandemics, political instability or terrorist attacks.

e) Systems Risks, produced by attacks or faults in infrastructures, communications networks and applications that may affect security (physical and logical) and the integrity, availability or reliability of operational and/or financial information.

f) Strategic Risks, produced by difficulty accessing markets and difficulties in asset disinvestment.

E.4 State whether the entity has risk tolerance levels, including for tax risk:

The NH Hotel Group's risk management model allows it to identify, evaluate and prioritise the most significant risks that could affect achievement of the Company's strategic objectives.

For the main risks on the Risk Map, the Audit and Control Committee regularly receives the implementation status for the agreed action plans, to ensure that the residual risk falls within tolerable limits and is in line with the Company's risk appetite. The evolution of the Company's main risks are also presented at the meetings held throughout the year by the Executive Risk Committee, formed from members of the Management Committee and Senior Executives.

The NH Hotel Group's Risk Management and Control System seeks to ensure that the Company's defined objectives are aligned with its strategy and risk profile. In the same vein, the corporate Risk Map is aligned with the Strategic Plan, the process of setting objectives and, finally, the annual budgeting process. To guarantee this alignment, the tolerances defined to monitor the main risks to which the Company is exposed are periodically analysed by the Risk Owners and adjusted if required. In this way, the periodic monitoring of the Company's main risks, as well as the Strategic Plan set the risk tolerance levels.

For tax matters, the Group acts in line with its Corporate Tax Strategy and the Tax Risk Management and Control Procedure. On 11 November 2015, the Group approved its adherence to the Good Tax Practices Code which was approved on 20 July 2010 in the plenary session of the Large Companies Forum.

E.5 State which risks, including tax risks, have had an impact over the year.

The unforeseeable and extremely severe COVID-19, particularly in countries like Spain and Italy, has created unprecedented challenges and uncertainties for the hotel industry. Many hotels have been closed temporarily as a result of the travel restrictions and events being cancelled. As a result, the occupation rate and income have been negatively affected, although all the contingency measures (temporary layoff procedures, and negotiation with hotel owners and suppliers) have been put in place to partially mitigate this fall in income.

Moreover, this exceptional situation has had a negative impact on cash flow due to the lower income arising from lower business, and impairment to customers' credit profiles, partially offset by cost savings measures put in place Group-wide.

As a result of COVID-19, the Company is experiencing an increase in litigation, mainly relating to (i) leasing agreements and the various commitments taken on in them (although we are reaching agreements with the majority of hotel owners respecting rent reduction or instalments or CAPEX reduction commitments) and (ii) the working environment.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

The design of the response to risk takes into account the following factors: the cost/benefit analysis between the impact of risk and the actions to be taken to manage it, the appetite and tolerance for risk and the strategic goals of the NH Hotel Group.

The Company follows an extensive coverage policy by taking out insurance policies for the risks to which it is exposed. It also has a policy of continuously reviewing this coverage.

The Strategic Planning Department oversees the achievement of strategic goals by continuously monitoring strategic objectives and the detection of new risks.

The Internal Audit Department, in carrying out its Risks function, advises the risk managers in defining response plans to mitigate the main risks and supervises their implementation.

In each of its meetings, the Executive Risk Committee's monitors the degree of implementation of the Risk Map's action plans as well as new risks and challenges that could affect the company and the industry in the short, medium and long term.

The Audit and Control Committee regularly carries out the following supervisory and control functions, as specified in Article 25 b) of the Regulation of the Board of Directors:

The Tax Department oversees the Group's tax risk management. The Group has approved a Tax Risk Management and Control Procedure in order to identify and, as far as possible, mitigate any tax risk that may arise in Spain or in the countries in which the Group operates.

In addition, during the 2020 financial year, the Company has continued with the process of defining and identifying emerging risks and ESG risks (environmental, social and corporate governance). The first are risks that are expected to have a significant impact on the operations and, therefore, the Company's financial results in the future (long term, 3-5 years or more), although it is possible that in some cases they have already begun to impact the NH Hotel Group business. The second covers the following three types of risk:

- Environmental risks are risks relating to the contribution and performance of the business in relation to environmental challenges (e.g., waste, pollution, greenhouse gas emissions, deforestation and climate change).
- Social risks relate to how the company treats people (et, human capital management, diversity and equal opportunities, working conditions, health and safety, and improper sale of products).
- Corporate governance risks examine how the company is governed (e.g., directors' remuneration, tax practices and strategies, bribery and corruption, and the board of directors' diversity and structure).

Therefore, during the periodic risk supervision and monitoring process in the Executive Committee on Risks and the Audit and Control Committee, as well as during the annual risk identification and assessment process, the Company has the appropriate mechanisms to ensure that emerging risks and new challenges are taken into consideration and given an appropriate response. The final result of this analysis is reflected in the corporate Risk Map that is submitted annually to the Board of Directors for approval.

Below highlights the emerging risks that the Company has already detected and on which monitoring and analysis, impact assessment and mitigation work is being carried out:

- Technological risks (cyber-attacks, information security, technological innovation)
- Risks related to social behaviour patterns (collaborative economy, changing customer preferences, demographic changes)
- Risks related to climate change (natural disasters, extreme weather events)
- Regulatory risks (data privacy/GDPR, new environmental legislation)
- The dependence on intermediaries and specifically online travel agencies (OTAs) and distributors and the sophistication of technological reservation tools are also considered emerging risks.
- Some geopolitical risks that affect the tourism sector such as terrorism, the change in the economic cycle, political instability and, to a lesser extent, Brexit.
- Some risks arising from external factors such as pandemics or strikes, both internal (hotel staff) and external (e.g. air traffic controllers)

F - INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 The company's control environment

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

Amongst others, the Board of Directors has the powers to determine the risk management and control policy as well as the internal information and control systems as stated in section 3 of article 5 of its governing rules. Likewise, the Board of Directors is responsible for a suitable and effective Internal Control System regarding the Group's Financial Information which aims to provide the Group with a reasonable assurance as to the reliability of the financial information produced and published on the financial markets.

Conversely, the Group's Finance Management is responsible for the design, implementation and proper working of the ICFR.

The Audit and Control Committee is responsible for monitoring the effectiveness of internal control in accordance with section b) of article 25 of the Board of Directors' governing rules. This responsibility is in turn delegated to Internal Audit.

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

  Defining and reviewing the organisational structure of the Group is the responsibility of the Management Committee.

  Significant changes to the organisation chart, i.e., those affecting Senior Management, are approved by the Board of Directors, after being proposed by the Appointments and Remuneration Committee. The organisation chart is available to all employees on the Group's intranet.

  Both the hierarchical and functional lines of responsibility are duly communicated to all Group employees.

  The internal communication channels are used for this, amongst which we highlight the intranet, the PPP agreement for employees, executive meetings and information boards in each hotel.

  In order to fulfil the objectives and responsibilities relating to maintenance and supervision of the Financial Reporting Control process, specific functions have been defined which apply to those responsible for each process involved with Financial Reporting, in order to ensure compliance with the implemented controls, analyse how well they function, and report any changes or incidents that may occur.

  On an ascending scale of responsibility, this structure includes the supervisors of each process in the area of control, the directors of each business unit and the directors of each corporate area directly concerned with the processes related to the internal Financial Reporting Control System.

  Within the Corporate Finance Department, Internal Control is entrusted with receiving information from the different individuals responsible for the process and is also responsible for ensuring correct operation of the Internal Control System.

- Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

  The NH Group has had a Code of Conduct since 2006, which was last revised in 2015. Responsibility for approving the Code of Conduct rests with the NH Group's Board of Directors. This document affects all NH Group employees, and applies not only to employees, managers and members of the Board of Directors, but also, in certain cases, to other stakeholders, such as customers, suppliers, competitors, shareholders and the communities in which NH runs its hotels.

  The Code of Conduct summarises the professional conduct expected of all employees at centres operating under the Group's brands, promoting the commitment to act with integrity, honesty, respect and professionalism in the performance of their work. The NH Group is committed to complying with the laws and regulations in the countries and jurisdictions in which it operates. These include laws and regulations on health and safety, discrimination, taxation, data privacy, competition, anti-corruption, prevention of money laundering and commitment to the environment. The key areas covered by the Code of Conduct are:

  - Commitment to people.
  - Commitment to customers.
  - Commitment from suppliers.
  - Commitment to competitors.
  - Commitment to shareholders.
  - Commitment to communities and society.
  - Commitment to the Group's assets, knowledge and resources.
  - Obligations regarding fraudulent or unethical practices.
  - Commitment to the stock market.

  Since 2014, NH Group has driven the creation of the Compliance function, the scope of which applies to the following key areas:

  - Internal Code of Conduct: Sets out minimum standards to be respected in relation to the purchase and sale of securities and privileged and confidential information and its processing.
  - Conflict of Interests Procedure: Establishes the rules to be followed in situations where there is a conflict of interests between the Company, or any of the companies making up the Group, and the direct or indirect personal interests of the Directors or persons subject to the conflict of interests rules.
  - Code of Conduct: Intends to establish the main values and rules which should govern the conduct and actions of each of the employees and executives of the Group, as well as the members of the governing bodies of the companies that form part of the Group.

  Criminal Risk Prevention Model: Describes the crime prevention and management principles in place at NH Group and defines the structure and operation of the control and monitoring bodies set up within the Company, systematising existing controls for the purpose of preventing and mitigating the risk of crimes being committed in the Company's various areas.

  Compliance Committee
  NH Hotel Group set up the Compliance Committee in 2014, comprising members of the Management Committee and Senior Management. It has the power to oversee compliance with the Group's Internal Code of Conduct, Conflict of Interests Procedure, Code of Conduct and Criminal Risk Prevention Model.

  The Compliance Committee has the power to make decisions and eventually impose disciplinary sanctions on employees in matters within their mandate.

Compliance Office
The Compliance Office is in charge of overseeing compliance with the Code of Conduct and updating, monitoring and overseeing the Criminal Risk Prevention Model. The Compliance Office reports directly to the Compliance Committee.

The Criminal Risk Prevention Model has been implemented in Spain (Business Unit and Corporate) and Italy, where training was imparted on this topic during 2018 and 2019. The percentage of those undertaking training is 75% in Spain (Central Services employees, Hotel Directors and Heads of Department) and 87% in Italy.

In 2018, the roll out of an IT tool in Spain (SAP GRC) was concluded that helps report, manage, supervise and audit the Criminal Risk Prevention Model. During 2019, the Crime Prevention Model was audited by the Internal Audit Department assisted by a top-tier external consultant. Additionally, during 2019, the implementation of the Model to seven other countries begun with the aim of providing the company with a more efficient model.

The Code of Conduct is available for employees on the company intranet, and for third parties on the Group's website. Through the Human Resources departments of each business unit, the NH Group has authorised a procedure whereby each employee is required to adhere to it, with training on the Code of Conduct being made available to all employees.

At 31 December 2020 the Code of Conduct through the online course is at 73%.

In regard to financial information and recording operations, a transparent information behaviour is adopted in the Group's Code of Conduct construed as the undertaking to release reliable information to the markets, both financial and of any other nature. Hence, the company's internal and external financial and economic reporting shall faithfully reflect its economic, financial and equity position in accordance with generally accepted accounting standards.

- It is additionally specified in the section on "Obligations regarding fraudulent or unethical practices" that the NH Group adopts a transparent information behaviour, understood as the undertaking to release reliable information to the markets, both financial and of any other nature. Hence, the Company's internal and external financial and economic reporting shall faithfully reflect its economic, financial and equity position in accordance with generally accepted accounting standards with the falsification, manipulation or deliberate use of false information being considered fraud.

- Individuals (amongst whom include, employees, directors, members of the Board of Directors) must transmit information in a manner that is truthful, complete and understandable. Under no circumstances may they knowingly provide incorrect, inexact or inaccurate information and must refrain from:

  - Keeping a record of transactions in non-accounting media not recorded in official books.
  - Keeping accounts which, referring to the same activity and financial year, hide or fake the company's true situation.
  - Recording expenses, income, assets or liabilities which are non-existent or not in line with reality.
  - Noting businesses, acts, transactions or, in general, financial transactions in the compulsory books, or making a note of them with figures other than the true ones.
  - Making entries in accounting books, incorrectly indicating their purpose.
  - Using false documents.
  - Deliberately destroying documents before the end of the legally-required time limit for retaining them.

• Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken m the organisation, reporting, as the case may be, if this is of a confidential nature.

A procedure has been established for lodging complaints about breaches of the principles enshrined in the Code of Conduct, and this enables employees to provide confidential information about any possible non-compliance. This procedure ensures transparency, confidentiality and respect throughout all its stages.

The procedure for reporting and dealing with possible non-compliance and reports relating to the Code of Conduct is administered by the Senior Vice President of the Group's Internal Audit Department, who acts independently and ensures the channel's confidentiality, giving an account of the most significant incidents over the course the year to the Group's Compliance Committee and Audit and Control Committee.

Complaints should preferably be lodged electronically using a channel expressly set up for the purpose and available to all stakeholders (codeofconduct@nh-hotels.com), through which they are forwarded to the Internal Audit Department. In addition, they may be sent by post for the attention of the Senior Vice President of NH Hotel Group, S.A. Corporate Internal Audit Department at Santa Engracia 120, 28003 Madrid, Spain.

The Senior Vice President of the Corporate Internal Audit Department is responsible for analysing the information presented and requesting the corresponding evidence and reports. All complaints received are regularly reported to the Compliance Committee and the Audit and Control Committee, upholding the principles of confidentiality non-retaliation guaranteed in the Code of Conduct.

- Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

  Within the courses regarding training and actualization in the preparation and revision of financial information, employees of the Finance Department have assisted to several training courses which during 2020 have been especially focused on the implication of the pandemic covid-19 in financial information and the necessity to include the accounting impact.

  Similarly, seven members of the Corporate Administration Department and two from Internal Control obtained the "Lean Six Sigma Black Belt for the Services Industry" certification after attending eight training days.

  Finally, the Corporate Internal Audit Department, being responsible for reviewing the ICFR model, has a specific training plan that, during 2020, involved COSO certification.

  On the other hand, the Corporate Financial Department, through its Internal Control Area, gave training sessions to users of the first line of defence business units, especially in Latin America within the consolidation and development process of the ICFR report.

F.2 Financial reporting risk assessment

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented.

  The goal of the process of assessing financial risks is to establish and maintain an effective process for identifying, analysing and managing the current risks relevant to the preparation and reporting of financial information.

  NH Hotel Group has:

  - A Corporate Risk Management Policy approved by the Board of Directors in November 2015. This Policy is publicly available on the corporate website.
  - A Corporate Risk Management Manual, approved by the Executive Risk Committee in March 2018, that develops the aforementioned policy.
  - An operating procedure for the Risk Committee approved by the Executive Risk Committee in July 2017. The procedure is published in the NH intranet and accessible to all the company's employees.
  - A Corporate Tax Policy approved by the Board of Directors in July 2015. This Policy is publicly available on the corporate website.
  - A drafting process of the Risk Map.

The Risk Map is updated annually and Senior Executives from finance are involved during the process to identify and assess risks.

There is a formally documented matrix that includes the most important controls and risks of the Internal Control over Financial Reporting System (ICFR). This matrix is reviewed annually by Internal Audit and the external auditor, who issues an opinion on the ICFR. The matrix is continuously updated with identification of the most significant financial risks and implementation and execution of the relevant mitigating controls with the aim of reasonably ensuring the integrity and precision of the financial information issued by the Group.

- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

  In order to ensure the reliability of Financial Reporting, when identifying risks and controls, the accounting errors that may arise from the following objectives for financial information are always considered:

  - Completeness: balances or transactions that should be recorded but are not.
  - Transaction cut-off: those booked in a period other than when they were accrued.
  - Accuracy: transactions recorded with errors (amounts, conditions).
  - Occurrence/Existence: registered transactions which have not taken place within the reporting period.
  - Valuation/Allocation: record of transactions involving incorrect sums due to inadequate valuation calculations.
  - Presentation/Classification: classification errors in the various entries of the financial statements.
  - Understandability: lack of quality of financial information which makes it difficult to understand for a person with reasonable economics and business knowledge.

  Throughout 2020, Internal Control has continued to update the control activities in the risk matrix and ICFR controls.

  To do this, it has taken into account the changes that have occurred in the Group's processes and the search to better cover the associated risks, as well as the uniformity of the control activities carried out in the different business units. In this regard, a redesign of controls in human resources and tax areas has been carried out.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.

  The Financial Department will consolidate the accounts every month.

  This process involves reporting the consolidated income statement and balance sheet reported by each of the Administration Departments of the business units to the Corporate Finance Department.

  Each year, the Administration Departments of the business units confirm to the Consolidation area, within the Corporate Financial Department, the companies that are part of their corresponding consolidation perimeters.

  Additionally, throughout the year, the business units report on variations which arise in their consolidation perimeter to the Finance Department which, in turn, coordinate the modification of these in all the Group's financial reporting and consolidation systems.

  On the other hand, the tax department of the Corporate Finance Department is responsible for maintaining the Group's organisational chart and periodically reporting the updated version to a distribution list of people within the Finance Department to control changes in the consolidation perimeter.

- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

  In designing the risk management process associated with generating Financial Reports, the following objectives have been focused on:

  - Definition of the Financial Information Internal Control System processes and sub-processes.

  Determination of the relevant risk categories and types for each of the different Internal Financial Information Control System processes defined in the point above.

  Corresponding subcategories have been defined for each of these risk categories.

- Definition and analysis of controls for each specific risk and establishment of their degree of effectiveness.

  A risk matrix has been established for each of the sub-processes detailed above, in which the most relevant risks for each process are defined, along with the operational controls and their effectiveness in mitigating the risks that affect them.

- The governing body within the company that supervises the process.

  The company's Board of Directors is responsible for supervising the risk assessment process. To carry out the aforementioned supervision duties, the Board of Directors turns to the Audit and Control Committee, which performs this duty through Internal Audit or the external auditor depending on the nature of the risk.

F.3 Control Activities.

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Procedures to review and authorise the financial report and description of the ICFR, to be published on the securities market, indicating its responsible bodies, and documentation describing the workflows and controls (including those regarding fraud risk) of the different types of transactions which can have a tangible effect on the financial accounts, including the accounting close procedure and the specific review of the relevant judgements, estimations, evaluations and projections.

There is a financial information review and authorisation procedure in the NH Hotel Group which is set out below:

- Internal reporting of financial information:

Each month, the Group's Finance Management send the Group's most significant information management to the Board of Directors for their review which contains the income statement and the main economic indicators. Prior to reporting to these governing bodies, the information undergoes a review process by the finance directors at a business unit level, a review process by Group Finance Management at a corporate level and a joint review by Group Finance Management with the finance directors of the business units.

NH's external auditor also makes limited reviews of the NH Group's consolidated condensed interim financial statements under IAS 34, "Interim Financial Reporting" and the audit of NH Group's consolidated annual accounts under IFRS standards. Furthermore, NH's external auditor also makes limited reviews of the NH Group's consolidated financial information according to the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

- Reporting of information to stock markets:

The consolidated accounts and the half-yearly consolidated financial reports are prepared based on the information reports of the business units and, once reviewed by their respective directors, the consolidation process is undertaken by Corporate Consolidation and the information required to prepare the consolidated accounts is provided both by the Finance Department and other Corporate departments always with the review of the corresponding people responsible for it. Once the consolidated financial statements have been received, they are reviews by the Group's Finance Management and by the Audit and Control Committee before being prepared and approved by the Board of Directors (section b) of article 33 of the Parent's Articles of Association and sections 3. d) and 5. b) of Article 5 of the Board of Directors' Governing rules). Once prepared, they are published through the National Securities Market Commission.

Additionally, each quarter, the Group publishes financial information to the stock markets. Finance Management is responsible for the process of issuing such information while the Board of Directors, in accordance with section 3 of article 40 of its Governing rules, is responsible for ensuring the preparation is carried out in line with the principles, criteria and professional practices with which the Annual Accounts are produced and enjoy the same reliability. To this end, said information is reviewed by the Audit and Control Committee which, when it deems it appropriate, requires the presence of both external and internal auditors.

Likewise, the Board of Directors may request analysis of specific issues, as well as the details of particular financial transactions which, because of their importance, require greater analysis.

The Corporate Organisation Department is responsible for documenting and updating the year-end process, with the support of the Finance Department, which is published on the corporate intranet. This process includes the ICFR controls implemented to mitigate those risks identified at year-end among which are those risks related to the different review levels of the financial information generated.

On the other hand, the NH Hotel Group has implemented an internal control system on financial information (ICFR) based on COSO (Committee of Sponsoring Organizations of the Treadway Commission), as a framework that seeks to ensure that the relevant components and principles of internal control are present and operating jointly in the Organisation, to achieve the following objectives:

- Effectiveness and efficiency of operations
- Reliability of financial information
- Compliance with applicable laws and regulations
- Safeguarding assets

To comply with the objective of ensuring reliability of financial information reported to the markets, the NH Hotel Group has implemented a model based on three lines of defence:

- The first line of defence is all employees responsible for preparing and reporting the financial information reported and the effective execution of ICFR controls.
- The second line of defence is Internal Control, within the Corporate Finance Department, which is responsible for managing and updating the ICFR risk and control matrix as a tool to implement controls that mitigate the identified risks. Among its other responsibilities, it periodically reviews the self-assessment of the controls executed and reported by the first line of defence, communicating and reporting on the main area to improve.
- The third line of defence is the Corporate Internal Audit Department, which delegates the audit of the ICFR to the Audit and Control Committee. The Group's internal control model is audited annually to afford the Audit and Control Committee and Board of Directors reasonable security as to its effectiveness and, as a result, the reliability of the financial information generated and published on the stock market.

As a result of the maturity of the internal control system for financial reporting (ICFR) the 2019 financial year was the first one where internal certification of financial information controls was made, involving the directors of the business units, corporate directors and members of the Group's Management Committee, as applicable depending on their duties.

The Group's ICFR risk and control matrix considers the relevant business cycles in drafting the financial information prepared and published by the Group, which are detailed below:

-Accounting close, consolidation and financial reporting process
- Purchasing and suppliers
- Sales and customers
- Cash
- Financing
- Fixed assets
- Inter-company
- Tax
- Human resources
- Provisions and contingencies
- Loyalty programme
- Shared services centre
- Business support technological processes

The structure of the financial risk and controls matrix includes the following information:

- Organisational unit: the organisational level to which the controls are implemented and determines the scope of the assessed entities.
- Process and sub-process: set of activities related to a specific function within the operation of an organisational unit. They include those with a potential significant impact on the financial information prepared by the Group.
- Risk: the possible events or actions which could affect the capacity of the company to meet financial reporting objectives and/or implement strategies successfully.
- Description of the control: definition of the control activities included in the policies, procedures and practices applied by the Group to ensure it meets its control objectives and the risk is mitigated.
- Evidence: documentation prepared by the control's owner when executing the control in the first line of defence and that is reported to the following lines of defence to determine the control's effectiveness in mitigating the associated risks.
- Classification of the controls: preventive or detective, manual or automatic; this last one depending on whether they can be monitored using data from automated tools.
- Ownership of the controls: they belong to the first line of defence in accordance with the COSO model. They are those who execute the controls and those responsible for their self-assessment and the assessment of their design.
- Managers of the controls: within the first line of defence are the owners of the sub-processes who are responsible for overseeing the correct execution and reporting of the control activities.
- Frequency: makes reference to how often the controls are executed and reported.

To manage the internal financial information controls model, which is embodied in the update to the risk matrix and ICFR controls, the Corporate Internal Control Department carries out a series of activities, the following of which are of note:

- Planning the evaluation reporting activities for the controls by the first line of defence users.
- Evaluation of the controls' effectiveness in covering the main financial information risks.
- Communication with the first line of defence on incidents detected in relation to the lack of effectiveness of controls resulting from their reviews, and monitoring of compliance with the implemented action plans.
- Communication of incidents and monitoring compliance with the implemented action plans resulting from the annual audits carried out by the Corporate Internal Audit Department.
- Update of the ICFR risks and controls matrix based on: analysis carried out by Internal Control on the scope of the matrix in accordance with quantitative criteria such as balances of the consolidated financial statements, and qualitative criteria such as the complexity of the balances calculation and degree of automation in generating and recording economic transactions, in the main; reporting of proposals to change the design of controls by first line of defence users; communications made by the Corporate Organisation Department on modifications made to those processes that directly or indirectly have an impact on generating and/or reporting financial information.

Within the risks identified in the business cycles defined in the ICFR matrix are the risks of fraud and the controls associated with its mitigation.

Likewise, the matrix includes controls specific to the review of relevant judgements, estimates, valuations and projections whose execution mitigates the risk of reporting unreliable financial information.

Additionally, the Group has a documented procedure which collates the policies to follow in the valuation of those assets of the consolidated balance sheet which involve the making of judgements, estimates, valuations and/or projections with a material impact on the consolidated financial statements.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

Information Security (InfoSec) within Information Systems (IT & Systems) of the NH Hotel Group has a set of security policies and procedures aimed at ensuring the integrity, availability and confidentiality of the company's operational and financial information.

NH Hotel Group has formally defined procedures that regulate changes, maintenance and developments on the systems that hold financial information. Controls are defined in these procedures to ensure that an appropriate system development methodology is followed, assessing the risks and impacts associated with the changes, as well as involving key business users and conducting sufficient and adequate testing before being placed into production.

There is a model implemented that guarantees the appropriate operation of the company's information systems. This model includes event monitoring processes, incident management procedures, guidelines regarding operational continuity (backups, disaster recovery plan, business continuity plan, etc.), as well as user management policies

Finally, this year internal audit has optimized the general IT controls to reduce them to 35 controls that hold the company's financial information.

F.3.3 Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

The NH Hotel Group has outsourced accounting management to a company with a Shared Services Centre.

NH Hotel Group's ICFR model includes control activities related to the year-end process and that affect those companies included within the scope of the outsourcing company and which in turn belong to the Group's consolidation perimeter.

Said control activities are executed and reported by users of the Shared Services Centre, although the NH Hotel Group is responsible for their effectiveness to reasonably mitigate the associated risks.

Additionally, NH Hotel Group's ICFR risk and control matrix has 6 sub-processes and 18 control activities relating to the handover periods of transferring the administrative function to the Shared Services Centre, the settling-in period, the provision of the service, compliance with regulations, the continuity of the service and the governance model in the outsourcing contract.

The NH Hotel Group has also obtained the ISAE 3402 "International Standard on Assurance Engagements" report from an independent third party as a guarantee that the control activities that support the service provider's control objectives operated properly during 2019.

F.4 Information and Communication.

Report on whether the company has at least the following, describing their main characteristics:

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

Through Corporate Consolidation, NH Hotel Group's Finance Management is responsible for defining, updating and correctly applying the accounting policies as well as responding to questions and queries which arise in their interpretation. In this same sense, it is charged with communicating any change which occurs in accounting matters to the heads of the business and corporate units and which affects them in the reporting of financial information.

The Group has an accounting policies manual and a consolidation manual -both published on the intranet- in accordance with the International Financial Reporting Standards (IFRS), which are those which govern the NH Hotel Group.

The Corporate Organisation Department is responsible for unifying, analysing and publishing the rules and procedures applicable in the Group, among which are the operational, administrative (including accounting), quality and regulatory procedures.

It is the responsibility of all departments within the company to periodically review their defined processes, policies and procedures so that may be audited by Internal Audit following the annual audit plan approved by the Audit and Control Committee.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

As discussed in section F.4.1, the consolidated financial information which NH Hotel Group publishes on the stock market is in accordance with International Financial Reporting Standards (IFRS). In this sense, the information reported from the Group's business units follows these international regulations. Likewise, there is a single accounts plan applied by all the companies which are included in the consolidated group.

NH Group has a common consolidation tool for all companies. This tool centralises all the information corresponding to the accounting of the companies which make up the financial consolidation of the NH Hotel Group into a single system. The input of financial information from the ERP to the consolidation system is automatic for those companies already migrated to the common ERP implemented in most Group companies, or manually for those companies with a different ERP.

In this sense, preventive controls have been defined in the consolidation tool itself which ensure data is input correctly.

Finance Directors of the business units report the financial information to the Corporate office monthly using two unique standard reporting packets designed by the Corporate Finance Department for reporting of the financial management information and the consolidated balance sheet.

The dumping of information from the accounts and the accounting headings to the reporting is the same for both models, having previously been approved by the Corporate Finance Department. Any change in criteria for the dumping and presentation of information to be reported is communicated from the Corporate office to the Finance Directors of the business units.

In turn, the Corporate Finance Department uses the same reporting models to prepare the management reports and annual accounts published on the stock market.

All this ensures that the information reported between business units is comparable as well as being homogeneous to be included in the Group's consolidated financial reporting.

At an internal control level, the area responsible for managing the ICFR model pursues the homogenisation of the processes in all the Group's business units so that the risk and control matrix is the same.

Additionally, the self-assessment report and assessment of the controls' design through SAP GRC allows a single reporting model for all business units. Likewise, this method allows reporting evidence of the control activities according to the latest version of the controls recorded in the system.

F.5 Supervision of the system.

Report on at least the following, describing their principal features:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

Supervisory activities of the Audit Committee

The Audit and Control Committee is the advisory body to which the Board of Directors has delegated its supervisory functions to update and supervise the ICFR. As part of this function and to fulfil the tasks delegated by the Board, the Committee receives and reviews the financial reports which the NH Group issues to the markets and regulatory bodies, particularly the consolidated annual financial statements accompanied by the Audit Report. The Committee supervises the preparation process and the completeness of the financial reports of the Company and its subsidiaries, and checks that the legal requirements applicable to the NH Group are complied with, the consolidation perimeter is appropriate and that generally accepted accounting standards are applied correctly.

The Audit and Control Committee receives an annual report from the Internal Audit SVP on its assessment of the effectiveness of the ICFR model, the weaknesses detected during internal audits, and the plans or actions already in place to remedy any detected weaknesses.

The Audit and Control Committee supports and supervises the work of the Internal Audit department in its assessment of the ICFR. The Committee proposes the selection, appointment and replacement of the body or person responsible for Internal Audit services, validates and approves the strategy, the Internal Audit annual plan and objectives for the year, and is responsible for evaluating the performance of the Internal Audit Department Manager annually.

The Internal Audit Plan for assessing the ICFR is presented to the Audit and Control Committee or its Chairman for approval before it is put into practice, in order to include all the opportune considerations.

The level of implementation of the relevant recommendations arising from the ICFR is reviewed by the Audit and Control Committee at least once a year.

Internal Audit Function

Internal audits are carried out by the Group's Internal Audit Department, which reports functionally to the Audit and Control Committee and administratively to the General Secretary. This hierarchical structure is designed to ensure the Internal Audit function's independence and to encourage direct communication to and from the Audit and Control Committee.

The Internal Audit function, via a team consisting of 10 auditors located in both Corporate and the business units, ensures, within reason, the effectiveness of the internal control system, supervising and evaluating the design and effectiveness of the risk management system applied to the company, including specific IT audits.

This function has internal auditing statutes which were updated in 2017 and have been formally approved by the Audit and Control Committee, and an internal audit manual which sets out the Department's working methods.

In relation to monitoring the ICFR, the Internal Audit Department is responsible for:

• Independently evaluating the internal control model for financial reporting.

• Testing the assertions of the Board.

• Testing the effectiveness of internal controls in the companies within the scope of application.

• Helping to identify weaknesses in controls and reviewing action plans to correct inadequate controls.

• Carry out follow-up work to see if the action plans to mitigate weaknesses in controls have been properly implemented.

• Coordinating between the Board and the external auditor when clarification is needed on scope and testing plans.

Scope of ICFR 2020

The NH Hotel Group's ICFR is implemented and consolidated in all its business units. In 2020, the model was extended to companies in the Boscolo hotel portfolio, reporting within the Nothern and Southern Europe business unit. Therefore, when there is any change in the Group's portfolio, it is integrated into the model's organisational structure.

This implies the scope of all NH turnover, with a portfolio of 365 hotels and 13 business cycles with great significance in the submission of financial reports.

During 2020 the Group has initiated the project of extending the internal control models of financial information to the consolidated hotels of its portfolio. This phase of the project implied the identification of the key controls in the hotels that mitigate effectively the main risks regarding the financial situation of the hotels. Furthermore the Company has developed a pilot project in Europe participating a range of selected hotels. For the referred project, the user have reported evidences of the execution of these selected controls. As a consequence of the sanitary crisis Covid-1, the company has decided to postpone the project to the next future.

During 2020 and as a consequence of the sanitary crisis of Covid-19 and its impact in the economies and in the sector of the hotel industry particularly, the Company analyzed its SCIIF model identifying the most important controls for covering financial information, including additional that are necessary for mitigating the risks in the aforementioned context.

F.5.2 If there is a procedure by which the account auditor (m accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

The Audit and Control Committee meets at least quarterly to review the periodic financial reports. It also discusses matters relating to internal controls and/or other current initiatives.

The Financial Department, through the Chief Financial Officer, is responsible for notifying senior management of any important matter relating to the ICFR and/or financial reporting through the meetings of the Management Committee.

All the weaknesses detected by the Internal Audit Department during its work are subject to recommendations and action plans agreed with the audited department. The Internal Audit Department supervises the implementation of the agreed actions and reports their status to the NH Group's various governing bodies (mainly the Audit and Control Committee) every six months.

The external auditor notifies the Audit and Control Committee of the conclusions of its audit procedures, and any other matters which may be considered important. The external auditor also has access to the Audit and Control Committee in order to share, comment on or report any aspects they consider necessary or pertinent, including without the presence of the Company's Management. The external auditor, without breaching his/her independence, will participate in the dialogue with Management.

F.6 Other relevant information

None.

F.7 Report by the external auditor.

Report from:

F.7.1 Whether the SCIIF reports sent to the markets have been reviewed by the external auditor, in which case the company must include the corresponding report as an appendix. If not, reasons why should be given.

The scope of the auditor's review procedures has been carried out in accordance with Circular E14/2013 of 19 July 2013 from the Spanish Institute of Chartered Accountants, whereby the published Guidelines for Action and auditor's report model referred to the information related to the internal control system of the financial information of the listed companies which is attached as an annex.

G - DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the Code of Good Governance for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

   <u>Complies</u>

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

   a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.
   b) The mechanisms in place to resolve any conflicts of interest that may arise.

   <u>Complies</u>

3. 3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

   a) Changes that have occurred since the last General Shareholders' Meeting.
   b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

   <u>Complies</u>

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

   And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

   <u>Complies</u>

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of pre-emptive rights in an amount exceeding 20% of the capital at the time of delegation.

   And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of pre-emptive rights, the company should immediately publish the reports referred to by company law on its website.

   <u>Complies</u>

6. That fisted companies which draft reports fisted below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

   a) Report on the auditor's independence.
   b) Reports on the workings of the audit and nomination and remuneration committees.
   c) Report by the audit committee on related party transactions.

   Complies

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

   And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

   Complies

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

   Complies

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

   And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

   Complies

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

    a) Immediately distributes the additions and new proposals.
    b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
    c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
    d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

    Not applicable

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

    Not applicable

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

    And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

    Complies

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

    Complies

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

    a) Is concrete and verifiable.
    b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
    c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

    That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

    And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

    Partially complies

    The proprietary and independent directors are a large majority on the Board of Directors, as they are 7 out of the 9 on the Board.

    Although the Company has approved a new Policy for recruiting Directors and management posts, including the aim of reaching the percentage of female directors in compliance with the Recommendation, at 31 December 2020 there were no female members on the Company's Board of Directors.

16. 16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

    This criterion may be relaxed:

    a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
    b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

    Complies

17. That the number of independent directors represents at least half of the total number of directors.

    That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

    Complies

18. That companies should publish the following information on its directors on their website, and keep it up to date:

    a) Personal and biographical profile
    b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
    c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
    d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
    e) The shares and options they own.

    Complies

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

    Not applicable

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

    Complies

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

    The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

    Complies

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

    And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

    Complies

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

    Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

    This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

    Complies

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

    And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

    Complies

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

    And that the Board regulations establish the maximum number of company Boards on which directors may sit.

    Complies

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

    Complies

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences do occur, that the director appoint a proxy with instructions.

    Complies

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

    Complies

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

    Complies

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

    Complies

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

    When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

    Complies

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Not applicable

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.
b) The workings and composition of its committees.
c) Diversity of membership and competence of the Board of Directors.
d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Not applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Not applicable

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies

42. That in addition to the provisions of applicable law, the Audit Committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies

45. That the risk management and control policy identify or determine, as a minimum:

a) TThe various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
c) The level of risk that the company considers to be acceptable.
d) Means identified in order to minimise identified risks in the event they transpire.
e) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies

48. That large-cap companies have separate nomination and remuneration committees.

Not applicable

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

    And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

    Complies

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

    a) Propose basic conditions of employment for senior management.
    b) Verify compliance with company remuneration policy.
    c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
    d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
    e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

    Complies

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

    Complies

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

    a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
    b) That their chairmen be independent directors.
    c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
    d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
    e) That their meetings be recorded and the minutes be made available to all directors.

    Not applicable

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

    Complies

54. The minimum functions referred to in the foregoing recommendation are the following:

    a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.
    b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.
    c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.
    d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.
    e) Supervision and evaluation of the way relations with various stakeholders are handled.

    Complies

55. That environmental and social sustainability policies identify and include at least the following:

    a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct
    b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
    c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
    d) Communication channels, participation and dialogue with stakeholders.
    e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

    Complies

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Partially complies

The Company's executive short-term variable remuneration has ten per cent linked to the performance assessment of both Executive Directors. The eight competences measured in this performance assessment are non-financial and are linked to predetermined and measurable performance criteria, as is recommended. Moreover, targets have been set relating to the company's positioning in certain sustainability indices for both Directors.

In relation to long-term variable remuneration, although it does not include non-financial criteria as a measure of achievement, it does include a "clawback" clause with an application period of two years from the end of each cycle and for which the payback of the award may be demanded in the following cases:

i. Restatement of the Company's financial statements wherever not due to the modification of applicable accounting standards or interpretations.

ii. Any of the Executive Directors being sanctioned for serious breach of the code of conduct and other internal regulations which may be applicable.

iii. When the settlement and payment of the award was wholly or partially produced on the basis of information whose falsehood or serious inaccuracy is manifestly demonstrated a posteriori.

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Partially complies

There is no deferral scheme in the Company's current annual variable remuneration system for any of its participants. With long-term variable remuneration, its very nature allows the Company's performance to be seen in the medium and long term (3 years), in addition to ex post control instruments which would be activated when circumstances arise which make it evident that the payment was made on an erroneous premise.

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Explain

The "Performance Shares Plan 2017-2022" establishes the obligation to retain the shares delivered to the Executive Directors for at least one year. In addition, the Executive Directors will be obliged to hold an amount in shares equivalent to at least one year of fixed remuneration throughout their entire tenure. To determine compliance with this obligation, it considers the share price on the day they were delivered.

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Partially complies

As described in the IARC, in the "Performance Shares Plan 2017-2022", NH has put ex post reimbursement control formulae in place in line with market standards and the recommendations from Proxy Advisers and Institutional Investors. The Appointments, Remuneration and Corporate Governance Committee has the power to decide to propose the cancellation or recovery of undue payment of the multi-year variable remuneration in the event that any of the following circumstances occur:

a) breach of the internal code of conduct by the beneficiary;
b) material restatement of the Company's financial statements, when required by an external auditor, where this affects fulfilling the aims of the multi-year variable remuneration plan, except where this arises in accordance with an amendment to accounting standards;
c) the variable remuneration accrued or was paid in accordance with inexact or incorrect information or data.

The Executive Directors are the only ones affected by the reimbursement formulae, as they are the only directors benefiting from the Company's "Performance Shares Plan".

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Explain

In no event will the Executive Director appointed in 2017, Ramón Aragonés Marín, and the Executive Director appointed in 2020, Rufino Pérez Fernández, be entitled to receive any compensation derived from the termination of their position and ending of such commercial relationship. However, the possible indemnities derived from an ending of the employment relationship will continue in effect during their terms as Executive Directors, recognising that period as time employed. Once ended, as appropriate, the business relationship will take over the labour relationship which was in effect between company and employee until the taking on of the new position in all its effects, except in serious and culpable breach and thus declared jurisdictionally.

H - OTHER RELEVANT INFORMATION

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In that case, indicate the code in question and the date it was subscribed to. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010.

1. RELEVANT CORPORATE GOVERNANCE ASPECTS THAT HAVE NOT BEEN INCLUDED IN THE OTHER SECTIONS:

SECTION A.3
The following is a breakdown of the number of shares directly held by each Board member listed in the reference section:
Mr Alfredo Fernández Agras holds 150,000 shares
Mr Ramón Aragonés Marín directly holds 95,340 shares. Additionally, Mr Aragonés holds a total of 148,821 Performance Shares that may be executed as long as the stated objectives are met.
Mr Rufino Pérez Fernández directly holds 35,633 shares. Additionally, Mr Pérez holds a total of 68,274 Performance Shares that may be executed as long as the stated objectives are met.

SECTION A.5
In regard to the commercial or contractual relations between Minor IPC and the Company and/or its group, refer to section D, Related Transactions.

SECTION A.6
The following details the positions that Proprietary Directors who represent to the shareholder Minor IPC hold in companies belonging to its group.

In view of the foregoing, it is reported that Mr Chojnacki is a Director of the following companies in the Minor IPC group:

Anantara Vacation Club (HK) Limited
Anantara Vacation Club (Cambodia) Co., Ltd.
Anantara (Shangai) Tourism Consulting Co, Ltd.
Avadina Hills Co., Ltd.
Avani Lesotho (Pty) Ltd
Baan Boran Chiangrai Limited
Bai Dai Tourism Company Limited
Barbaron Beach Hotel MHG Limited
Beinjing Qian Bai Ye Investment Consultation Co, Ltd
Beinjing Riverside & Courtyard Investment Management co. Ltd
BTG Holding Company Limited
Chicken Time Company Ltd. Coco Palm Hotel & Resort Co., Ltd
Coco Palm Hotel & Resort Co., Ltd
Corbin & King Limited
Delicious Food Holding (Singapore) Pte. Ltd.
Flexivac Co. Limited
H & A Park Co., Ltd.
Harbour View Corporation
Hoi An River Park Company Limited
Hua hin Village Limited
Huahin Resort Limited
Jada Resort and Spa (Private) Limited
Kulutara Luxury Hotel (Private) Limited
Layan Bang Tao Development Co., Ltd.
Layan Hill Residence Co., Ltd.
Marin Engineering CO, Ltd
MFG International Holding (Singapore) Pte. Ltd.
MHG Australia Holding Pte. Ltd.
MHG Australia Investment PYT Ltd.
MHG Continental Holding (Singapore) Pte. Ltd.
MHG Desaru Hotel SDN. BHD.
MHG Desaru Villas SDN. BHD.
MHG Holding Limited
MHG International Holding (Singapore) Pte. Ltd.
MHG IP Holding (Singapore) Pte. Ltd
MHG Lesotho (Pty) Ltd
MHG Management Tunisia
MHG Npark Development Co., Ltd
MI Squared Limited
Minor BT Holding (Singapore) Pte. Ltd
Minor Corporation Pcl.
Minor Development Limited

Minor DKL Food Group Pty Ltd
Minor DKL Management Pty Ltd
Minor Food Group (Singapore) Pte. Ltd.
Minor Food Holding Co., Ltd
Minor Hotel Group Gaborone (Pty) Ltd
Minor Hotel Group Limited
Minor Hotel Group Management (Shanghai) Limited
Minor Hotel Group MEA DMCC
Minor Hotel Group South Africa Pty Ltd
Minor Hotel Portugal
Minor Lifestyle Limited
Mint Residential (VIC) PTY LTD
Mspa International Cairo
Mspa International Limited
NH Hotel Group SA
NMT Limited
NYE and RGP Development Co., Ltd
Oaks Hotel & Resort Limited
PH Resort (Private) Limited
Plexus Maldives Pvt. Ltd.
PT Wika Realty Minor Development
Rajadamri Lodging Limited
Rajadamri Residence Co., Ltd
Rani Minor Holding II Limited
Ribs and Rumps Operating Company Pty Ltd
Samui Resort & Spa Limited
Sands Hotels (Pty) Ltd
Scomadi (Thailand) Co, Ltd
Scomadi Asia Pacific Co, Ltd
Seredib Hotel Pcl
Sizzler China Limited
Spoonful (Thailand) Company Limited
Spoonful Pte Ltd
Tanzania Tourism & Hospitality Investments Limited
TCC Operations Pty Ltd
The Coffee Club Franchising Company Pty Ltd
The Good Life Global Ltd.
The Minor Food Group Pcl
The Sothea (K.V.) Pte. Ltd.
Zanzibar Tourism & Hospitality Investments Limited

Mr Heinecke holds the following positions in Minor IPC group companies:

Arabian Spas (Dubai) (LLC)(Consejero)
Benihana Asia Pte.Ltd (Consejero)
Benihana Holding Pte. Ltd (Consejero)
Benihana UK Limited (Consejero)
Bravo Jets Limited (Consejero)
CARDAMON Tented Camp Co.,Ltd.(Consejero)
Chao Phaya Resort & Residence Limited (Presidente del Consejo)
Chao Phaya Resort Limited (Consejero)
Corbin & King Limited (Consejero)
Eutopia Holdings Private Limited (Consejero)
G5 Jets Limited (Consejero)
Harbour View Corporation (Consejero)
Maerim Terrace Resort Limited (Presidente del Consejo)
MD JETS Limited (Consejero)
MHG Desaru Hotel SDN.BHD (Consejero)
MHG Desaru Villas SDN.BHD (Consejero)
Minor BKH Limited (Presidente Consejo)
Minor DKL Food Group Pty.Ltd (Consejero)
Minor Food Group (Singapore) Pte., Ltd (Consejero)
Minor Holdings (Thai) Limited (Consejero)
MJETS Limited (Consejero)
MJETS Maintenance Limited (Consejero)
MSpa Ventures Limited (Presidente del Consejo)
O Plus E Holdings Private Limited (Consejero)
Pacific Cross International Limited (Consejero)
Panaram Limited (Consejero)
Per Aquum Management JLT (Consejero)
Phuket Vessel Holding Limited (Consejero)
Plexus Maldives Pvt Ltd (Consejero)
Plu Luang Limited (Presidente Consejo)
R.G.E. (HKG) Limited (Presidente del Consejo)
Rajadamri Residence Limited (Presidente del Consejo)
Sea Fly Limited (Consejero)
Sri Bhathana Garden Limited (Consejero)

Tanzania Tourism and Hospitality Investment Limited (Consejero)
Western - Mjets Limited (Consejero)
Zanzibar Tourism and Hospitality Investment Limited (Consejero)
Zuma Bangkok Limited (Consejero)

Mr Dillipraj Rajakarier is a Director of the following Minor IPC group companies:

Anantara (Shangai) Tourism Consulting Co, Ltd
Anantara Vacation Club (Cambodia) Co.,Ltd.
Anantara Vacation Club (HK) Limited
Arabian Spas (Dubai) (LLC)
Avadina Hills Co., Ltd.
Avani Lesotho (Pty) Ltd
Baan Boran Chiangrai Limited
Bai Dai Tourism Company Ltd
Barbarons Beach Hotel MHG
Chao Phaya Resort and Residence Limited
Chao Phaya Resort Limited
Chicken Time Co, Ltd.
Coco Palm Hotel & Resort Limited
Coco Recreation Limited
Coco Residence Limited
Corbin & King Limited
Eutopia Holdings Private Limited
GHA Holding Ltd
H&A Park Co.,Ltd.
Harbour View Corporation Limited
Hoi An River Park Company Limited
Hua Hin Resort Limited
Hua Hin Village Limited
Jada Resort and Spa (Private) Limited
Kalutara Luxury Hotel & Resort (Private) Limited
Layan Bang Tao Development Co., Ltd.
Layan Hill Residence Co., Ltd.
M SPA International Cairo LLM
M Spa International Limited
M Spa Ventures Limited
Maerim Terrace Resort Limited
Marin Engineering Co., Ltd
MHG Australia Investments Pty Ltd
MHG Desaru Hotel Sdn. Bhd.
MHG Desaru Villas Sdn. Bhd.
MHG Holding Limited
MHG Lesotho (Pty) Ltd
MHG Management Tunisia
MHG Npark Development Company Limited
MHG Phuket Limited
MI Squared Limited
Minor Hotel Group Gaborone (Pty) Ltd
Minor Hotel Group Limited
Minor Hotel Group MEA DMCC
Minor Hotel Group South Africa (PTY) Limited
Minor Hotel Management (Shanghai) Limited
Minor Hotels Portugal, S.A.
Minor Hotels Zambia Limited
Minor International Public Company Ltd
MINT Residential (VIC) Pty Ltd.
Nh Hotel Group SA
NYE and RGP Development Co.,Ltd.
O Plus E Holdings Private Ltd.
Oaks Hotels & Resorts Limited
Per Aquum Management JLT
PH Resorts (Private) Ltd.
Phuket Beach Club Owner Limited
Plexus Maldives Pvt. Ltd
PT Wika Realty Minor Development
Quang Nam Minor Hotel Co. Ltd
R.G.E. (HKG) Limited
Rajadamri Hotel Public Company Limited
Rajadamri Lodging Limited
Rajadamri Residence Limited
Rani Minor Holding II Limited
Rani Minor Holding Limited
Samui Beach Club Owner Limited
Samui Beach Residence Limited
Samui Resort and Spa Limited
Sands Hotels (Pty) Limited
Sanya Anantara Consulting Ltd
Sanya Anantara Real Estate Limited
Scomadi (Thailand) Co., Ltd
Scomadi Asia Pacific Co., Ltd
Serendib Hotels Pcl

Spoonful (Thailand) Company Ltd
Spoonful Pte. Ltd
Tanzania Tourism and Hospitality Investment Ltd
The Sothea (K.V.) Pte Ltd.
Verita MHG Company Ltd
Wanda Minor Hotels HK Ltd
Zanzibar Tourism and Hospitality Investment Ltd.
Zuma Bangkok Limited

Mr Kosin Chantikul is a Director of the following companies belonging to the group Minor IPC Ltd:

Avadina Hills Co, Ltd
Bodhi Hotel&Resort Put Ltd
Corbin & King Ltd
MHG Desaru Hotel Sdn Bhd
MHG Desaru Villas Sdn Bhd
MHG Management (India) Private Ltd
Minor Food Holding Co, Ltd
Minor International PCL
Nh Hotel Group SA
S&P Syndicate PCL

SECTION C.1.2
On 28 September 2020, Beatriz Puente Ferreras submitted her resignation as Executive Director, due to voluntary termination of her professional relationship with the Company.

SECTION C.1.11
Other than the positions stated in the reference section, Mr Heinecke also holds the following:
- Executive Management Committee Chairman of Minor International Public Company Limited
- Chairman of the Appointments, Remuneration and Corporate Governance Committee of Indorama Ventures Public Company Limited.

2. CODES OF ETHICAL PRINCIPLES AND GOOD PRACTICES

NH Hotel Group, S.A. it is a member of the United Nations Global Compact and supports and contributes to the Sustainable Development Goals (SDGs) that contemplate the protection and promotion of fundamental human rights.

Another global frame of reference for NH is the Global Code of Ethics for Tourism, approved in 1999 by the United Nations World Tourism Organization (UNWTO) Assembly. It is a set of 10 principles designed to guide the main tourism development actors, helping to maximise the benefits of the sector, while minimising its impact on the environment, cultural heritage and local communities.

In this vein, in September 2012, NH joined ECPAT (End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes) to protect children against sexual exploitation in tourism; also promoted by UNWTO and UNICEF.

NH is part of the International Tourism Partnership (ITP), a global platform for leading companies in the hotel sector that share a common commitment to social responsibility and sustainability. This organisation establishes four main goals, among which is the protection and promotion of human rights, a target that NH endorses and supports.

In 2018, the 16 NH hotels in Mexico initiated a process to voluntarily adhere to the National Code of Conduct for the protection of children and adolescents in the travel and tourism sector that aims to prevent and combat it with special emphasis on child exploitation. It is promoted by the Secretariat of Tourism of the Government of the Republic (SECTUR). In addition, training will be offered to employees in the prevention of human trafficking and child exploitation.

The Company participates in various forums and projects to promote the fight against climate change and the reduction of carbon emissions.

Finally, since 2015, NH has adhered to the 20 July 2010 Code of Good Tax Practices.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on:

24/02/2021

State whether any directors voted against or abstained from voting on this report.

NO

ANNUAL REPORT OF THE AUDIT AND CONTROL COMMITTEE OF NH HOTEL GROUP, S.A.

Corresponding to the 2020 financial year

1. Introducción

The Audit and Control Committee of NH Hotel Group, S.A. (“NH”) issues this report on the operation of the Committee and compliance with its goals during the year 2020 (hereinafter the “Report”).

The object of the Report is to give an account of the activity carried out by this Committee to the Board of Directors in accordance with the provisions of Recommendation 6 of the Code of Good Governance for Listed Companies, approved by a Resolution of the Board of the CNMV dated February 18th, 2015.

The composition, competences and operation of the Audit and Control Committee are regulated in article 48 of the Company’s Bylaws and article 25 of the Board Regulations, that have recently been amended by the Board of Directors of 22 December 2020 for the purpose of adapting its contents to the reform of the Code of Good Governance approved by the Stock Market Commission (CNMV) on 26th June 2020.

2. Composition of the Audit and Control Committee

As of December 31st, 2020, the Audit and Control Committee was made up of 3 members, together with the Secretary who is not a member.

The composition of the Audit and Control Committee as of December 31st, 2019 is as follows:

Chairman:
Mr Fernando Lacadena Azpeitia (Independent)

Members:
Mr. José Maria Cantero de Montes-Jovellar (Independent)
Mr. Stephen Andrew Chojnacki (Proprietary)

Secretary:
Mr. Carlos Ulecia Palacios

The provisions of the applicable regulations are met, which require that the Audit and Control Committee be made up of a minimum of three and a maximum of six Directors appointed by the Board of Directors and that all the members of this Committee should be External Directors, at least a majority of whom must be Independent Directors.

The members of the Audit and Control Committee as a whole, and especially its Chairman, will be appointed taking into account their knowledge and experience in accounting, auditing and risk management, both financial and non-financial.

The Chairman of the Audit and Control Committee shall be appointed out of the Independent Directors who form part of the Committee and must be replaced every four years, and may be re-elected one year after being replaced.

3. Competences

The principal function of the Audit and Control Committee is to provide support to the Board of Directors in its supervision and control functions, the most important manifestation of which is the duty to assure the effectiveness of the Company’s internal control and supervise the process of drawing up and presenting regulatory financial information.

The Audit Committee shall have at least the following competences:

1. Report to the General Meeting on matters raised within its sphere of competence.

2. Supervise the efficiency of the Company’s internal control, internal audit, as the case may be, and the risk management systems, including tax risks, and discuss with the accounts auditors or audit firms any significant weaknesses in the internal control system that may have been detected in the course of the audit.

3. Supervise and evaluate the process of preparation and the integrity of financial and non-financial information, as well as the control and management systems of financial and non-financial risks related to the company and, where appropriate, the group - including operational, technological , legal, social, environmental, political and reputational or related to corruption - reviewing compliance with regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria.

4. Make proposals to the Board of Directors for the selection, appointment, re-election and replacement of the external auditor, as well as the contracting conditions, and obtain information regularly from the external auditor concerning the audit plan and its execution, as well as preserving its independence in exercising its functions.

5. With regard to the external auditor:

   5.1. Establish the pertinent relations with the accounts auditors or audit firms in order to receive information on any matters that may put their independence at risk, so that they can be examined by the Committee, and any other matters related to the audit process, and other communications established in auditing legislation and technical auditing standards. In any case, it must receive written confirmation each year from the external auditors of their independence of the Company or companies related to it directly or indirectly, and information on the additional services of any kind provided to and the corresponding fees received from such companies by the aforesaid auditors or companies, or by persons or entities related to them in accordance with the provisions of legislation on auditing.

   5.2 Issue each year, prior to the issue of the auditors' report, a report in which an opinion will be expressed on the independence of the accounts auditors or audit firms. This report must, in any case, contain a valuation of the provision of additional services as referred to in the preceding section, individually considered and regarded as a whole, other than statutory audit and in relation to the regime of independence or to auditing legislation.

   5.3 In the event of the resignation of the external auditor, examine the circumstances that led to it.

   5.4 Ensure that the remuneration of the external auditor for their work does not compromise their quality or their independence.

   5.5 Supervise that the company communicates the change of auditor through the CNMV and accompanies it with a statement on the eventual existence of disagreements with the outgoing auditor and, if there were any, their content.

   5.6 Ensure that the external auditor holds an annual meeting with the full board of directors to inform it about the work carried out and about the evolution of the accounting and risk situation of the company.

   5.7 Ensure that the company and the external auditor respect the current regulations on the provision of services other than auditing, the limits to the concentration of the auditor's business and, in general, the other regulations on the independence of auditors.

6. Report, in advance, to the Board of Directors on all the matters established by law, the Articles of Association and the Board Regulations, in particular, on:

   1. the financial information which the company must publish periodically,
   2. the creation or acquisition of shares in entities with a special purpose or domiciled in countries or territories considered to be tax havens and
   3. operations with related parties.

7. Safeguard the independence and efficiency of the internal audit functions; propose the selection, appointment and removal of the head of the internal audit service; propose the budget for this service; approve or propose approval to the Board of the guidance and annual work plan for internal audit, ensuring that the activity is primarily focused on relevant risks (including reputational risks; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

8. Establish and supervise a mechanism that will allow employees, and other people related to the company, such as directors, shareholders, suppliers, contractors or subcontractors,to report, irregularities of potential importance, including financial and accounting irregularities or of any other nature related to the company that they notice within the company or its group. Said mechanism must guarantee confidentiality and, in any case, foresee cases in which communications can be made anonymously, respecting the rights of the complainant and the accused.

9. Generally ensure that established internal control policies and systems are effectively applied in practice. Supervise compliance with internal codes of conduct and the rules of corporate governance.

10. Supervise compliance with internal codes of conduct and rules of corporate governance.

4. Operation

The Audit and Control Committee will meet at least once a quarter, and as often as is appropriate, on being convened by its Chairman, on his/her own decision or in response to the request of two of its members or of the Board of Directors.

The Audit and Control Committee may require the attendance at its meetings of any employee or executive of the company, as well as the Company's Auditor.

Through its Chairman, the Audit and Control Committee will report to the Board on its activity and the work carried out, at the meetings established for this purpose or at the immediately following meeting when the Chairman of the Audit and Control Committee considers it necessary. The minutes of its meetings will be available to any member of the Board who requests them.

The Audit and Control Committee met 4 times in 2020.

Furthermore, Board members who are not members of the Committee and executives of NH may attend the meetings of the Audit and Control Committee, at the Chairman's invitation.

5. 5. Relations with External Auditors

NH Hotel Group, S.A. has been audited since fiscal year 1986 by prestigiouse audit companies. During the period 1986-1992 the company was audited by Peat Marwick and between 1993-2001 by Arthur Andersen. Since 2002 and until fiscal year 2018 the Audit has been realized by Deloitte. The General Sharehodlers meeting helt on 13th Mai 2019 approved, among others, the appointment of PricewaterhouseCoopers Auditores, S.L. as new auditor of the Company and its grouo companies for fiscal year 2019. The appointment has been done in compliance with Regulation (UE) No 537/2014 European Parliament of 16th april 2014 regarding requirements for legal audits of companies. The Audit and Control Audit has submitted submitted ition to the Board following article 16.5 of the referred Regulation.

During fiscal years 2020 and 2019, the remunerations regarding audit services and other services rendered to NH Hotel Group, as well as related companies are the following:

	Thousend Euros	
	2020	**2019**
Audit services	644	545
Other verification services	214	138
Total Audit and related servicios	**858**	**683**
Tax advice services	-	-
Other services	243	23
Total other servicios	**243**	**23**
Total servicios	**1,101**	**706**

Additonally related entities linked to the international service of the consolidated annual accounts have charged the Group the following services:

	Thousend Euros	
	2020	**2019**
Audit services	1,079	1,031
Other verification services	215	152
Total Audit and related services	**1,294**	**1,183**
Tax advice services	289	274
Other services	53	1
Total other services	**342**	**275**
Total	**1,636**	**1,458**

6. Content and results of the work of the Audit Committee in 2020

The Audit Committee held 4 meetings in 2020 at which it dealt with the following matters:

a) Analysis and evaluation, in conjunction with the external auditors, of the Financial Statements and Annual Report for the year 2019, checking that their audit opinion has been issued under conditions of absolute independence.

b) Review of information on matters that could jeopardize the auditors' independence. Issue of the Report on the auditors' independence.

c) Review of periodic financial information for 2019 prior to its analysis and approval by the Board of Directors to ensure that it is reliable, transparent and has been prepared by applying uniform accounting principles and policies.

d) Approval of the External Auditor's fees for the 2020 Audit.

e) Supervision of the Internal Audit strategic plan for the period 2020/2022.

f) Monitoring of the Internal Audit Plan for 2020, examining its conclusions and implementing any necessary corrective measures.

g) Monitoring of the most significant projects carried out by the Internal Audit team.

h) Supervision of the Update of the Group's Risk Map 2020 and monitoring controls of risks and action plan for the Top 10 risks.

i) Supervision of risks relating to the System of Internal Controls over Financial Reporting (ICFR).

j) Examination of the Annual Corporate Governance Report, prior to sending it to the Board of Directors for study and approval, with special emphasis on the analysis of the register of situations of directors and executives (membership of other Management bodies, involvement in legal proceedings, related-party transactions, etc.).

k) Analysis of (i) the Company's tax organization, (ii) how the tax policy is determined and (iii) certain corporate restructuring operations.

7. Analysis of related-party operations

In 2020 the Audit and Control Committee has analysed the following related-party operations:

a) Termination at mutual agreement of the Hotel Service Agreement suscribed on 7 de February 2019 between NH Brasil and a subsidiary of Minor.

b) Afiliation agreement between Minor y Coperama, a NH´s subsidiary.

c) Signing of Management agreement between NH Hoteles España, S.A. and a subsidiary of Minor Group for the management of a hotel located in Tunez.

The suscription of all Related Party Transctions haven been realized in strict compliance with the rules established by the Company both in its Bylaws and the Board Regulations, as well as in the Procedure for Related-Party Operations and Conflicts of Interest, approved by the Board of Directors on 26 March 2014. All transcations signed with Minor (and/or its group companies) have had the previous favorable report of the Audit and Control Committee, have been signed upon market condition and with the involvement of external advisors and in compliance with the Framework Agreement signed between the parties the 7th February 2019, that regulates, among others, the scope of action of the respective hotel groups of NH and Minor by identifying MINT's and NH's preferred business geographical areas are defined and the necessary mechanisms to prevent and solve possible conflicts of interest, as well as related party transactions and development of business opportunities are regulated. The aforementioned Framework Agreement has been duly informed to the Market and published in NH´s website.

During all meetings of the Board and the Audit and Control Committee dealing with matters related to Minor, the proprietary Directors have been absent from the meetings during the time these matters haven been dealed, without having participated in the resolution of these matters.

8. Priorities for 2021

Independently of the customary tasks required by general regulations and by the regulations of NH in relation to financial information to be reported to the market and the supervision of the external auditors' independence, the Audit and Control Committee examined and approved the Internal Audit Department's work plan for 2021, which envisages the following priorities:

1. Operational and financial audits of the Company's key processes in hotels, Central Services of the Business Units and Corporate HQ.

2. Supervision of adequate implementation of processes and internal controls to guarantee attainment of the objectives included in the new Strategic Plan approved by the Board of Directors in February 2021.

3. Monitoring of incidents detected in the audits carried out in previous years and of the execution of the action plans drawn up by the different Departments and Business Units.

4. Within the function of risk Management: (i) update of Risk Map, (ii) definition and follow up of action plan for Top 10 risks, and (iii) collaboration ith other departments of the second line of defence so that the Company can benefit from combined assurance.

5. In exercising the fraud prevention/detection and investigation function: (i) management of the NH Hotel Group Whistleblowing Channel, (ii) identification of possible breaches of the principles set out in the Code of Conduct and (iii) investigation of possible fraudulent acts.

To conclude this Report, it should be noted that in carrying out all the tasks mentioned in it, the Committee has had access, whenever considered useful, to all the external professionals (auditors, experts or consultants) or members of Economic and Financial Management, Legal and Internal Audit Management it has considered necessary, as well as contacts with the external Audit.

Madrid, February 23st, 2021

AUDITOR'S REPORT ON "INFORMATION REGARDING THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING (ICSFR)"

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Auditor´s report on "information regarding the Internal Control System over Financial Reporting (ICSFR)" of NH Hotel Group, S.A. for the 2020 financial year

To the Board of Directors of NH Hotel Group, S.A.

In accordance with the request of the Board of Directors of NH Hotel Group, S.A. and its subsidiaries ("the Group") and our engagement letter dated December 14, 2020, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in section "F" of the Annual Corporate Governance Report (hereinafter, IAGC) of NH Hotel Group, S.A. for the 2020 financial year, which includes a summary of the Group's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Group in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Group's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Group's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "*Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities*" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Group's annual financial information for the 2020 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

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In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act approved by Royal Decree Law 1/2011, of July 1, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Group in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section "F" regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº 5/2013 dated June 12, 2013 of the National Securities Market Commission and subsequent modifications, the most recent being Circular 1/2020, dated October 6 of the National Securities Market Commission (hereinafter, the Circulares of National Securities Market Commission).

2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Group.

3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.

4. Comparison of the information described in point 1 above with our knowledge of the Group´s ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.

5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Group, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.

6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and the Circulares of National Securities Market Commission, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Mariano Cortés Redín

February 24, 2021

Santa Engracia, 120
28003 - Madrid
T: +34 91 451 97 18
nh-hotels.com